REAL SOCIALISM. THEORY AND PRACTICE

Gavriil Popov

Management of Socialist Production

PROGRESS PUBLISHERS MOSCOW

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Translated from the Russian by *Oleg Shtieffelman*

Г. Х. Попов

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The main purpose of this book is to acquaint the reader with the fundamentals of the management of socialist production. It has been written after years of lecturing on the theory of management to directors from various socialist countries taking a training course at the National Economy Academy under the USSR Council of Ministers. The author also has experience of lecturing to top and middle managers in the Socialist Republic of Vietnam. He has given a course on the theory of management to foreign students and postgraduates at the Faculty of Economics of the Lomonosov University in Moscow.

The author has tried to avoid problems of applying theory to modern economic problems inasmuch as these problems develop very differently, depending on the country and the period, and, hence, he has remained within the framework of fundamentals. The author believes there is no other way of presenting a book of this kind to such a wide range of readers. There is a special chapter which deals specifically with the practical experience and modern problems of management in the USSR and other socialist countries.

Similarly, the author tried to divorce fundamentals of management from the influence of any branch of the national economy. The fundamentals of management are outlined mainly in relation to the country's economy as a whole. That is why the book offers good reading for managers of all levels.

The book is naturally based on the experience of management in the USSR. At the same time, the author strives to give a fundamental outline of the subject-matter, i. e., one that would be based on features arising from the socialist essence of management and not on the historical and spatial features of national economy management in the USSR. I believe this approach to outlining the fundamentals of management helps readers from various countries to grasp the issue.

The book begins with an analysis of the concept of management, outlines the sciences related to management and identifies the subject-matter of the theory of management. This is followed by sections of the theory of management. Some of the chapters in the book are written in such a concise form as to embrace two themes. The closing chapters contain essays on the history of management and the theory of management, as well as replies to bourgeois critics of the theory and practice of socialist management.

This is the first book on the theory of management of socialist production to appear in the USSR in such a concise form and with such a manner of presentation.

The author hopes that the book will find an interested reader (and not only in the socialist countries) among those who are unable to attend Soviet

courses on management and who wish to study the theory and practical experience of the USSR in this field. Publications on the subject are listed in the closing chapter.

This book incorporates the contents of several textbooks written or edited by the author. *Management of Socialist Production: Theory and Practice, Managerial Activities,* among other publications, have been written by a big group of Soviet specialists. Their third edition in 1977 was prepared by Victor Afanasyev, Djermen Gvishiani, Victor Lisitsyn, and Gavriil Popov. There is also a textbook for students of the chair of organisation and methods of management at the Faculty of Economics of the Lomonosov University in Moscow. Its first edition in 1979 was prepared by Gavriil Popov and Gatam Djavadov. The second edition (1984) was prepared by Gavriil Popov and Yuri Krasnopoyas.

The author wishes to express his thanks to those colleagues whose works have been used in the preparation of the given course.

CHAPTER ONE

MANAGEMENT OF SOCIALIST PRODUCTION

1. Necessity and Feasibility of Socialist Production Management

Types of management. In accordance with the three existing spheres of the objective world—inanimate nature, the biosphere, and society—we identify three basic classes of management: management in inanimate nature, management in organisms, i. e., in animate nature, management in society.

Management in society is known as social management and comprises two basic types: management of individual human activity and management of collective human activity. An important type of collective management it that of labour processes, *production management* for short, i.e., management of the economy.

All types of social management, as any other social phenomena, express the basic features of various socio-economic formations. That is why within the framework of one socio-economic formation all types of social management share common features. In particular, there are common features for management under feudalism, for management in capitalist society and management in socialist society.

Management of socialist production is but one of the types of management in socialist society, one of the types of social management under socialism.

Within the framework of socialist production management we find various modifications of management: management of individual enterprises, management of branches of the economy, management of a regional economic complex, management of finances, etc. These are not individual types of management, but modifications of a common entity—management of socialist social production.

Concept of production management. In its most generalised form management means the influence of one system (managing) upon another (managed). However, management is a special form of influence. First, there is influence by command and influence by information. Second, this influence pursues a purpose. Management assumes that there are several alternatives for the development of the object, and the one that is chosen is called goal. Third, it is possible to influence the object with any degree of success only by taking into consideration the laws governing the development of the object. Thus, management boils down to information influence on the object in accordance with its laws with the purpose of achieving as its goal one of the alternatives in the development of the object.

When and how does this phenomenon, which we call management, appear in the sphere of production? Let us examine a few examples.

A person builds a brick house for himself. We have in this case the process of labour and individual management of the process. However, there is no

relationship with other workers, no collective labour and, hence, no management of production.

Now, assume the situation has changed. The person in question has produced more bricks than he needs to build a house. He offers the surplus bricks to his neighbour in exchange for the latter's surplus boards. Here we have division of labour, an exchange of the fruits of labour, relationship between workers. But these are indirect exchange relations.

Finally, let us take the situation when several neighbours decide to work jointly and build houses in turn. There develops a new type of relations between them—a planned and conscious relationship. They coordinate their joint efforts, their work schedule, the results of their work. They must also have a single plan and means of controlling its fulfilment. They also need a single will to do their work. This kind of collective production activity is classified as management of production.

Production means the creation of material benefits by workers using means of production: implements and tools. Management of production means a deliberate regulation of the process of uniting the worker and the means of production.

Production management performs two functions in the sphere of production: coordination and innovation. In its coordinating capacity management strives to maintain the existing system of production and labour, to coordinate and stabilise production activities. As a factor of innovation management initiates modifications in the existing technology, organises scientific, technological and managerial progress.

These two functions of management are locked in internal contradiction, yet they are inevitable and

essential in any management. In fact, management does not exist without these two functions and, in the long run, they are related to such a fundamental feature of social production as simple and extended reproduction.

Management of socialist production differs from other types of production management both in terms of essence and manifestation.

Planning of socialist production as an objective basis of management. Socialist production is based on public property of the means of production. Public property gives the green light to national economic planning, which is the most typical feature in the system of socialist production relations. Planned development is the starting point and the basis for socialist production. State socialist ownership of the means of production finds its economic realisation in the planned organisation of the entire system of social production.

We must differentiate between planning in general and national economic planning. Planning is inherent in any cooperation in production. In social production and in joint labour there is always cooperation in one or another form. Planning provides for the organisation of production as a whole from a single centre and a deliberate nature of this organisation. Cooperation envisages a direct, conscious, and regular relationship between workers in the process of labour. In order to ensure efficiency in cooperation all its participants must be united by a single will, a common plan, and conscientious regulation. This may be either the collective will of the participants in the cooperation or the will of the proprietor of the means of production who ar-

ranges this cooperation. The scale of cooperation depends on the size of the property. In presocialist formations, which were based on private property, cooperation and planning were always limited and subordinated. There were only indirect, commodity relations between private property-isolated participants in social production.

Socialist property of the whole people produces a basically new form of cooperation, one that differs in principle from all preceding types of cooperation both in scale and content. For the first time in human history, there appears a cooperation which embraces the whole of the national economy. This has provided the basis for such a qualitatively new phenomenon as the planning of social production in its entirety.

The planned development of production as a whole is possible only through cognition and conscious application of the objective economic laws of production. Under socialism cognition and application of the objective economic laws become a necessity. There is no alternative because socialism becomes what it is only through cognition and application of the objective economic laws. Cognition and application of the objective economic laws is an essential part of the mechanism of their operation.

We thus see that management of socialist production is based on public property of the means of production, on the planning of production as a whole, on the cognition and application of the objective economic laws of socialist production.

Necessity and feasibility of production management under socialism. The objective necessity of cogni-

tion and application of economic laws under socialism dictates the *objective necessity* of management of socialist social production. Social production that is socialist in nature and socialised in practical terms is one that is managed from a single centre on a planned basis.

The system of production relations and its inherent system of objective economic laws provides not only for the necessity but also for the *feasibility of management* of socialist production. This feasibility stems from the directly social nature of socialist production which is based on public property and planning. The existence of the directly social nature of production opens the way to cognition and application of the objective economic laws.

The *material basis* for production management under socialism is provided by the level achieved in the social nature of productive forces, by the ramified social division of labour. Without a corresponding level in the social nature of production the taking over by the state of the basically dispersed small-scale production leads merely to formal socialisation and, subsequently, to a formal and purely administrative state management. That is why such great importance is attached to the facilities for management of the whole of economy.

The feasibility of management also depends on the personal desire of all the members of socialist society to manage social production, on the unity of their goals. In a society with public property of the means of production the goals set by individual members of the socialist society basically coincide with the goals pursued by the whole of society. The socio-political and ideological *unity* of socialist socie-

ty allows its members to work out a single goal and to work for its achievement by joint effort.

Ultimately, both the necessity and feasibility of management of socialist social production stem from the entire system of production relations under socialism.

2. Concept of Socialist Production Management

Essence of socialist production management. Management of socialist production is a system of practical activities aimed at the organisation of the whole of social production at all stages of its extended reproduction in space and time. This management is exercised from a single economic centre, on the basis of a single plan, embraces the whole of the national economy, is executed on behalf of society as a whole and in the interests of all the working people.

This definition reflects the fundamental features of socialist management of production: its scale (embracing the entire economy and production), a single national economic plan, a single economic centre, the very nature of this centre (represents all the working people who are the owners of the means of production), and the subsequent goal of management (in the interests of society, all the working people).

The above definition describes management as an act, as an activity. The participants in the process of management develop certain relation, but priority goes to the practical activity of the system of management.

Management of socialist production is a mechanism which implements the requirements of the en-

tire set of the objective economic laws. Socialist production, just as any other, is governed by objective economic laws. Economic performance depends on the degree of their cognition and utilisation. Implementation of the requirements of objective laws incorporates production as such and its management. Management is placed in between the objective economic laws and production activities. Management constitutes organisation, not only implementation, of these requirements. Management is precisely the area transforming the requirements of objective laws into practical economic activity.

Management of socialist production is a mechanism which realises the social, collective and personal interests of all the participants in socialist production. An important feature of socialist management is that it corresponds to the entire range of interests of society, including the vital interests of each worker.

Legal socialisation of the means of production is doubtlessly essential, but it is only an initial stage, one that does not provide automatically efficient social production. Management requires the backing of a sufficiently developed level of social production, legal socialisation of the means of production, and planning of the economy before it can organise efficient functioning of socialist production. In this way management brings to the fore all the advantages of the *socialist system of economy*. The quality of management is the decisive factor for realising the advantages inherent in socialist public property, in planned socialist production.

Management also acquires a new role in socialist production. Production management performs not

merely an innovation function. It develops into an instrument for developing socialist social production, which, under present conditions, makes it an instrument for building the material and technical basis of communism. This function marks a qualitative development of the innovatory role of management.

The experience accumulated in the course of the building of socialism corroborates the fact that a system of management, that is efficient and future-oriented, promotes the desirable alternative of economic development.

Under present conditions management plays an increasing role as a creative factor. This is closely associated with the growing level of socialisation of socialist production, increasing planning and transformation of the economy into a single national economic complex. This, in turn, stems from the necessity of applying the achievements of the scientific and technological revolution by methods inherent to socialism.

The role of management grows in line with the development of the system of scientific knowledge concerning management, and leads to a greater role of the subjective factor, the role of the conscientious principle in the development of the socialist economy.

The role of production management is fostered by the social and political aspects of social development. Management draws the working people into managerial activity on an increasing scale, develops its democratic principles, stimulates the activity of the people, reassures them in the correctness of the decisions taken and the course adopted.

Management comes out as a major factor called upon to raise efficiency of social production through

its intensification, higher quality, and efficiency with the aim of raising the living standards in socialist society. As was pointed out by the 24th Congress of the CPSU improvement of the economic management system is one of the key questions of the Party's economic policy.

Object of production management under socialism. Management of socialist production organises *social labour activity,* brings together the workers and the means of production within the framework of the entire national economy.

In order to bring together the workers and the means of production it is necessary to exercise control of the labour resources and the demographic processes. It is equally important to control the country's resource potential, productive assets and natural resources. Any production comprises simple and extended reproduction. Under capitalism this is a spontaneous process. Under socialism *extended reproduction,* the ratio of accumulation and consumption have developed into an object of management.

Socialist production, as any other production, comprises four *stages:* production, distribution, exchange, and consumption. Consequently, management of socialist production embraces management of production as such, supplies and marketing, finances, circulation.

Any production envisages certain *proportions:* between branches of the economy, between regions, etc. Karl Marx pointed out that "*necessity* of the *distribution* of social labour in definite proportions cannot possibly be done away with by a *particular form* of social production".[1] That is why, within the frame-

[1] "Marx to Ludwig Kugelmann in Hanover, July

work of production management, we identify the *branches* of material production (industry, agriculture, construction, etc.) as objects of management. Sub-branches are components of the branches of material production.

Within the sphere of social production there objectively develops not only a branch structure, but also a regional structure. This explains why under socialism the objects of management also include *territorial elements* of social production: industrial, agro-industrial, transportation and other units; territorial-production complexes; economic districts, etc. The national economy of various administrative and territorial units (cities, districts, regions, territories, republics) also belongs to the category of objects of management.

Basic production units of economy (enterprises, production associations and their components—plants, shops, etc.) constitute a special type of production management object. An enterprise, or association, serves as the basic unit of the economy because it creates material value. In its capacity of basic economic unit an association comes out as the primary but not the main unit of management. In the sphere of production priority goes to the activities of enterprises, whereas in the sphere of management under socialism, priority goes to the activity of the economic centre of society, i. e., the socialist state.

Management of production processes also envisages management of its major *components and parameters*: the process of creation and realisation of

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11, 1868", Marx/Engels, *Selected Correspondence,* Progress Publishers, Moscow, 1975, p. 196.

scientific and technological achievements, quality of output, environmental protection, etc.

The object of management in socialist social production therefore embraces all sections of the economy, all stages of reproduction, all the participants in labour activity, all components of production.

Integrated nature of socialist production management. In accordance with the integrated nature of production management must also be integrated. Socialist production, as an object of management, comes out, first and foremost, in a system of production relations. Production relations, however, come into contact with management not in the way they are depicted in theoretical analyses, not in some abstract form. Management has to deal with real, practical and obvious economic relations. The problems of management related to these concrete economic relations constitute the *economic aspect* of management.

In the process of social production there develop between people not only basic economic relations but also political, legal, ideological, socio-psychological, national, demographic, and other social relations. Karl Marx believed that human essence constituted "the ensemble of the social relations".[1] Georgi Plekhanov noted that any research "has to begin with studying the condition of the productive forces and the economic relations" and then "to show how the dry skeleton of economy is covered with the living flesh of social and political forms, and then—and

[1] Karl Marx, "Theses on Feuerbach", in: Karl Marx, Frederick Engels, *Collected Works,* Vol. 5, Progress Publishers, Moscow, 1976, p. 4.

this is the most interesting and most fascinating side of the problem—of human ideas, feelings, aspirations and ideals".[1]

That is why management, which deals with concrete production, with people, essentially embraces not only economic but also *political, legal, psychological, and other aspects.*

The complex of social aspects reflects the basic features of the social formation, within which management of production is undertaken, and constitutes the *socio-economic aspect* of management.

Management has to deal directly with the people who participate in production. But ultimately management is called upon to affect the process of material production, including its essential components such as means of production, machinery and technology, production and natural resources. Thus, management also displays a *production and technical aspect.*

And finally, as mentioned earlier, management is not merely execution but also organisation of execution by basically informative means. *Organisational and informative aspects* are, therefore, essential factors in management.

The sum total of production, technical, organisational, and informative aspects is called the *organisational and technical sphere* of management. It also reflects the specific features of the socio-economic system but contains features that are common for various types of management.

In reality a number of production and manage-

[1] Georgi Plekhanov, *Selected Philosophical Works,* Vol. I, Progress Publishers, Moscow, 1977, p. 654.

ment problems are predominantly either economic, organisational or ideological. But more often than not problems are of an integrated nature and contain either all the aspects or various combinations of them.

Management of socialist production is an integrated phenomenon in which two spheres blend harmoniously, with the socio-economic sphere predominating, and the economic sphere taking precedence in the latter.

Subject of socialist production management. The very essence of socialist production management provides for the functioning of *a single economic centre.* This single centre is represented by several subjects of management.

The *socialist state* is the main subject of management. The socialist state comprises bodies of power, the Soviets of People's Deputies (representative organs); bodies of state management, as well as courts, the Procurator's Offices, and arbitration bodies.

The social organisations, work collectives and all the working people participate in state administration, exercise influence on it, control and promote it. In a number of cases they come out as the main executors of management functions.

The *Party* is the leading and guiding force of society and the nucleus of its political system, of all state and social organisations.

It would be wrong to assume that the existence of several subjects leads to parallel systems. In the long run, the activities of party organs and organisations just like the activity of social organisations and their organs are in line with the work of state bodies. Unity in the system of management is provided by the

guiding role of the Communist Party, which is the driving force of the entire socialist system.

3. General Description of the System of Management

Management of socialist production as a system. The essence of socialist production management influences its formation and functioning as a system. The system of management of socialist social production comprises the following components: the mechanism of management, the structure of management, the process of management, the mechanism for the development of the system of management.

The *mechanism of management* of socialist production includes its initial and fundamental elements: general principles, economics of management, functions, methods.

The general principles of socialist production management constitute the fundamentals which, in socialist social production, are inherent in all the components of the system of management at all stages of its development. These principles have been developed by Lenin, the founder of socialist management, and are justly called the Leninist principles.

Management not only organises economic activity, but itself constitutes labour activity and, hence, displays economic characteristics: expenses (costs of management), sources for defraying expenses, efficiency of managerial labour, quality of management, etc. All this makes up the economics of management.

Rationalisation of management requires assessment of its effectiveness prior to improvement, assessment

of the rationalisation measures, and assessment of the results achieved in improving management.

The tasks which socialist economy (the object) sets management are transformed into the *goals of management*. The elaboration of such goals is the next element in the system of socialist production management which follows the general principles.

The functions of management are those relatively independent and specialised sections which are isolated in management.

The methods of management constitute the means for achieving the goals of management. The system of diversified methods, their different combinations and integrated application constitute yet another component of the mechanism of management.

The *structure of management* embraces the following elements: general structure of management, the system of bodies of management, the management personnel, the management facilities and hardware. The structure is the statical characteristic of the system of management.

The structure of management is formed on the basis of combining basic managerial structures—the linear and the functional, which makes it possible to combine their distinctive advantages and mitigate their shortcomings.

The structure of management is made up of various bodies of management which constitute a system. It embraces the following bodies of management: general competence, inter-industry (functional), industry and regional bodies, and bodies of management for initial elements, programming bodies.

The bodies of management are staffed by management personnel. Personnel for socialist production

management is subdivided into categories and selected according to special rules. The personnel system is a major element of management.

Another component of management are the technical facilities. Modern management has at its disposal a wide range of technical means which facilitate efficiency of managerial labour. Automatic systems for processing data are particularly important.

The *process of management* incorporates the characteristic of the process, its organisation, technology and procedure of management, organisation of decision-making and subsequent realisation of this decision, organisation of managerial labour.

The characteristic of the process of management, in terms of content, is outlined by the object of management, i.e., the solution of the problems of planned organisation of socialist extended reproduction. In organisational terms the process of management constitutes a cycle which comprises preliminary management (forecasting and planning on a long-term, medium-term, and short-term basis), operative management (organisation, motivation, direction, coordination), and concluding management (accounting, analysis, control).

Decision is the nucleus of the management process, the latter comprising a sum total of decisions at various stages of decision-making and realisation. In terms of content the decisions also differ considerably, but from the point of view of management they share common organisational features. Any decision envisages emphasis on the making of the decision and on its realisation, each aspect comprising several concrete stages.

Methods of management comprise acquisition,

storage, modification and transfer of information. Despite the great diversity of information used in management, there exist common methods for handling information, particularly documented information. Clerical work and documents turnover constitute important elements of the management methods.

The procedure of management boils down to the organisation of managerial activity. Various types of managerial labour display common methods, procedures, and operations. Their rational combination is essential for the process of organising managerial activity.

Management of socialist production must constantly develop if it is to correspond to its constantly developing object—the economy, if it is to influence its development actively, if it is to perform the function of stimulator and organiser of technical, organisational and socio-economic progress.

The *general mechanism for improving management* includes elaboration of improvement trends and the organisation of rationalisation of management.

Improvement of management requires an organisational setup, i. e., the bodies and divisions responsible for managerial perfection, for planning this kind of work, for the introduction of managerial innovations.

Great importance is attached to the integrated organisation of rationalisation work: research, introduction, training of personnel. The improvement of management and the introduction of new and progressive features inevitably lead to conflict with the conservative element. Lenin classified the sum total of negative phenomena in socialist management as red tape. The campaign against bureaucracy is an impor-

tant element in the mechanism of improving management. It embraces not only the current stage of management development, but also an analysis of its long-term development, an analysis of forecasting and typical features of the system of management at the highest stage of communist society, i. e., the system of communist self-government of economy.

Socialist production management as an art. The subjective factor holds a special place in socialist social production. This arises from the opportunity and necessity of cognition and conscious application of the objective economic laws. The subjective factor is all the more important in such a sub-system of socialist economy as management. Management, more than anything else, expresses the changing value of the subjective factor in planned socialist production.

Bringing the subjective factor to the absolute leads to voluntarism, administrative and arbitrary methods of leadership, and is fraught with the danger of erroneous decisions.

On the other hand, underestimation of the subjective factor and elevation of objective factors to the absolute leads to fetishism, to spontaneity, to assumption that the advantages of socialist economy would be realised automatically, to passive expectation of effective results.

The specific situation in production and management calls for a creative approach to management. In his *Crime and Punishment* Dostoyevsky wrote that the "average case for which all legal forms and rules have been devised and designed to deal with in the lawbooks, does not exist at all, because as soon as it comes about in reality, any case . . . at once

becomes a quite special case, sometimes quite unlike anything that has arisen before".[1] This uniqueness of managerial activity accounts for its features of art and creation.

Genuinely creative managerial activities in production have become possible precisely under socialism. The very nature of socialist management demands activity, initiative and socialist enterprise. The system of socialist management is not a mechanism that comprises faceless and standard parts. Platon Kerzhentsev, one of the first theoreticians of socialist management, wrote that Soviet Russia placed new requirements, that people should not follow blindfold the will of others but would treat their work with great comprehension.[2]

The creative nature of management predetermines the special role of specific workers, especially leaders. It also provides for personal initiative, personal contribution and, accordingly, personal responsibility of managerial staff.

The creative nature of managerial work makes it extremely attractive. The treatment of management as an art, an act of creation is a must in a systems description of socialist production management.

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[1] Fyodor Dostoyevsky, *Crime and Punishment*, Raduga Publishers, Moscow, 1985, p. 361.

[2] P. M. Kerzhentsev, *Principles of Organisation*, Ekonomika Publishers, Moscow, 1968, p. 138 (in Russian).

CHAPTER TWO

SCIENTIFIC PRINCIPLES OF SOCIALIST PRODUCTION MANAGEMENT

1. Regularities of Socialist Production Management

Types of management regularities. Management of socialist production brings to life the requirements of the objective laws of this production. This process, however, is not arbitrary and is subordinated to objective laws, which, in their turn, outline how fundamental laws of socialist production are used in management. The laws of management are objective, but they are, as it were, secondary with regard to the fundamental laws of the economy.

The laws of management belong to the final element in the "science—practice" cycle within the sphere of the socialist economy. These are laws of practical activity and they are applied by their very nature. The laws of management provide the answers to the questions: how? by what means? what is to be done to score success?

Any social law may be identified only through a sufficient number of phenomena, i. e., it is a law of large numbers. The laws of management, however, are least of all "stable" and more than any other law operate as "general trends" and "dominating features". In view of all these features the laws of man-

agement are more often than not referred to as *regularities.*

The following types of regularities are within the process of the management of socialist production:

—integrated and aspect regularities;

—general and specific regularities;

—regularities of parts and the whole;

—regularities as principles and regularities as recommendations.

Integrated and aspect regularities. Each one of the aspects of management (economic, organisational, legal, psychological, information, etc.) has its own inherent regularities. For instance, among the regularities relevant to the economic aspect of management there is the regularity of the determinative role of material incentive, the regularity of the productive nature of managerial labour. The organisational regularities include the regularity concerning the existence of new properties in entities, the regularity of particular elements, and the regularity of basic elements. In the social aspect there is the major regularity on the leading role of the Communist Party in the system of economic management. Within the framework of the legal aspect there is the regularity of socialist federalism in economic management. There also exist regularities of the psychological aspect, e. g., regularities governing the functioning of small groups, regularities of social psychology, public sentiments, etc.

As mentioned in the previous chapter management in practice is rarely limited to only one or another aspect. Real-life management is integrated and this has its own regularities, e. g., the regularity of the ultimately leading role of economic factors in eco-

nomic management, or the regularity of the unity of political leadership and economic management.

General and specific regularities. The management of socialist production displays regularities that are common with other types of management and those that are inherent in it. Socialist planned management shares common regularities with:

—all types of management (regularities of management in general);

—all types of social management (regularities of social management);

—all types of production management (regularities of economic management).

The regularities of any management—in nature, in organisms, in society—are related to the division of the system into the governed and governing, to the existence of a governing parameter, the ability of the governed system to react to the slightest influence of the governing system, to the existence of feedback, purposefulness of any management, etc.

Common regularities are inherent in all processes of social management as well. These are the regularities of the determinative role of motivation by the subject in social management, regularities of interrelationships of governing and governed, regularities of specialisation in managerial activities (identification of the function of management, identification of the machinery of management, etc.).

All types of production management display a number of common regularities. One such regularity is the compliance of production management with the nature of production. An inherent regularity in any production management is one of essential combination of two opposing goals: maintenance of sta-

bility in production and introduction of innovations which violate this stability.

A characteristic feature of all general regularities of management is that they are inherent in socialist planned management of production, yet insufficient for its description. The basic regularities are the *specific ones*: regularities of managing socialist society, the socialist state, the socialist social production. It also applies to the regularity on the determinative role of the basic economic law in outlining the goals of management, the regularity of the role of planning as the main element in management, the regularity of the structure of the subject of socialist management (the socialist state, social organisations, all the working people and Communist Party as the leading force), etc.

The general and specific regularities of management do not exist separately. They constitute an integral whole within the process of management.

Regularities of parts and of the whole. Some of the regularities of management cover particular cases and are inherent in functions, branches and various levels of management. Other regularities concern management as a whole.

Regularities of parts deal with the organisation of economic accounting, development of mathematical models of economy and their application in management. There are regularities of economic analysis, scientific organisation of labour, management of scientific and technological progress, management at the level of enterprise or industry.

At the same time, management on the whole displays a number of common regularities, e. g., the regularity of the determinative role of goals with re-

gard to methods of management, regularity of the co-relation between staff and management structure, etc.

Regularities of management as a whole, in their turn, also differ. Some of them concern all the components of the system of management, others—only individual components. The first type are systems regularities, the second type—local regularities.

A systems regularity of management is democratic centralism. It applies to the entire system of management: to its economic and organisational aspects, to its structure, process, personnel policy. There are similar regularities of combining the industry and regional approaches to management, and participation of the working people in management.

Along with these systems regularities, we have local regularities. For instance, there is the regularity of personnel selection on the basis of political and business qualities. It is related only to one section of the management system—to personnel. The regularity of obligatory combination of material and moral incentives, which is a regularity of the system of management methods, is also local.

The systems and local regularities are interrelated. For instance, the general regularity of the unity of the political and economic approach serves as the basis for such local regularities as personnel selection on the basis of political and business qualities or the regularity of combining material and moral incentives.

Local regularities should be differentiated from particular regularities of management. For instance, the regularity of personnel selection on the basis of political and business qualities is a local regularity,

but it is a regularity of the whole because it applies to the whole of management (to accounting, planning, to an enterprise, to a region). Particular regularities are inherent in only the given type of management, e. g., management of agriculture alone.

Regularities as principles and regularities as recommendations. Regularities of management are manifest in different ways by virtue of the enormous role of the subjective factor, creative activity of those involved and the circumstances occurring.

Some of the regularities are clear-cut enough and affect managerial decisions in a relatively simple manner. These regularities occur in a big number of practical tasks. Such regularities in management are classified as principles: the principle of participation of the working people in management, the principle of personnel selection on the basis of political and business qualities. In view of the above-mentioned nature of regularities in management as a whole, there may be general principles and local principles.

Regularities of management, however, not always take the form of principles. As mentioned earlier, management is a creative process and an art of its sort, which means that it always tends towards unique solutions. The tremendous complexity of the sphere of management of socialist production leads to the fact that part of the regularities of management are valid only for a given situation, for a particular case, for a given concurrence of circumstances. Such regularities cannot be classified as principles, but they do exist objectively and must be studied. They are therefore classified as practical recommendations, practical methods of management.

In this way, management of socialist production

not only realises the requirements of the objective laws of socialist social production, but itself displays objective regularities: general and specific, functional and of the whole, aspect and integrated, systems and local. These regularities come out both as principles (general and particular) and practical recommendations.

The existence of objective regularities in management provides the basis for the sciences of management. Various sciences of management study different objective regularities of socialist production management.

2. *Scientific Principles of Socialist Production Management and Theory of Management*

Necessity and possibility of scientific management and scientific approach to management. The necessity of scientific management of socialist production stems from the basic economic law of socialism, from the entire system of economic laws aimed at the increasing satisfaction of the constantly growing requirements. The solution of this task leads to higher efficiency of production through higher efficiency of management among other things. Greater emphasis on science constitutes one of the leading factors in raising efficiency of management.

There are theoretical and practical aspects of scientific management of socialist production.

The theoretical possibility of scientific management of socialist production is based on two factors: the existence of objective laws within the object of management, i.e., socialist social production, and the existence of objective regularities within management

itself. The nature of these objective laws and regularities is important and they are open to cognition.

There are four factors which are responsible for the practical possibility of scientific management: the knowledge, the will, the know-how, the conditions.

The practical possibility of scientific management depends, first and foremost, on the level of our knowledge on management, on the scientific level of this knowledge, i. e., on the level of science achieved in the country.

The possibility of scientific management is correlated with the desire of the subject of management to achieve efficiency. It is essential to have motivation for scientific management, a readiness to manage production scientifically (which is usually much harder than to resort to voluntarism and subjectivism).

Knowledge and the will to do things are not enough. Scientific management envisages know-how: it is essential to master the skill of management, to apply management methods in practice, to be trained in scientific management.

Last but not least, the practical possibility of scientific management depends on the existence of conditions which allow the subject of management to apply in practice the knowledge, the will and the know-how of scientific management.

The very possibility of scientific management, both in theoretical and practical terms, is correlated with a wide range of factors, the level of our knowledge of management, among other things.

The system of sciences of socialist production management provides the scientific principles of management. Marxism-Leninism, all its three components

—philosophy, political economy, and scientific communism—constitute the core of and the common basis for the scientific principles of management.

The system of sciences of socialist production management (i. e., the scientific principles of management) embraces three components. First, the methodological and fundamental principles of management. Second, the managerial aspects of specifically economic sciences. Third, the specifically managerial sciences of the functions, elements, and aspects of management. Fourth, the theory proper (the science) of management, including the theory of leadership and managerial art.

Let us examine in detail the components of the scientific principles of socialist production management.

Methodological and fundamental principles of management. Management of socialist production is studied by many sciences which, by themselves, are not related to management of socialist production. However, the deductions made by these sciences are incorporated in the fundamentals of management. This applies, first and foremost, to the principles of Marxist-Leninist political economy, philosophy and scientific communism.

A politico-economic analysis of the planned development of socialist production makes it possible to identify the role and place of management within the economic system of socialism. Scientific communism provides management with important scientific principles: on the relationship of economics and politics, on the relationship of the objective and the subjective.

Meanwhile, political economy, scientific commu-

nism and philosophy are independent sciences with only sections relevant to problems of management. These "managerial aspects" of the above-mentioned sciences are incorporated into the fundamentals of socialist production management.

Another component of the methodological principles of socialist production management are those managerial sciences which study the general regularities of management, relevant not only to management of socialist production. Cybernetics, for instance, studies the general laws of any management—in nature, in organisms, in society. Praxeology, as another instance, deals with the general laws governing any efficient labour activity. The general theory of organisation, operations investigations, systems analysis are some of the other sciences which contribute to the fundamentals of socialist production management.

And lastly, this section of fundamental principles of management embraces data provided by such sciences as law, psychology, sociology, pedagogics. Knowledge of these data is essential for successful management. Psychology, for one, has a section which deals with management and it is often referred to as psychology of management. By the same virtue there is sociology of management.

The subject-matter of the methodological and fundamental principles of management would have been boundless indeed, had it not been for the fact that it incorporates neither the above-mentioned sciences nor even their sections, but only "points of contact", i. e., final recommendations pertinent to management of socialist production.

Managerial aspects of specific economic sciences.

There are many "points of contact" with management of socialist production in such specific economic sciences as economics of the national economy, branch economics (industry, agriculture, etc.), regional economics (republic, city, etc.), spheres of economics (labour resources, scientific and technological progress, etc.).

These sciences do not focus on problems of management—they study specific economies. Inasmuch as economic management comes out as an essential component of production systems, the specific economies have to deal with problems of management in one or another of their sections.

One feature of specifically economic sciences is that they deal not with management of socialist production as a whole, but only with one or another type of management—management of industry, management of agriculture, etc.

On the basis of concrete data it is possible to identify various regularities of management, but the approach adopted and the point of view taken give no grounds to decide whether these regularities are of a general nature or not. For many years, nevertheless, most of our knowledge on management came from specifically economic sciences—regional, industry, interindustry.

Specific sciences on management of socialist production. Another important source of knowledge on management are the specific sciences of a different type: those which focus not on the economy but on management as such.

The specific sciences on socialist production management embrace, first and foremost, those on one or another function of management: theory of na-

tional economic planning, accounting branches of science, economic analysis.

The group of managerial sciences studies management in various branches of social production: management of industry and its branches, management of material and technical supply, management of finances, management of trade, etc. These concrete managerial sciences stem directly from the corresponding branches of specifically economic sciences. The same applies to such sciences as management of scientific and technological progress, management of research and development, price formation, management of foreign economic ties, urban management.

A number of specific sciences of management study various elements of management: scientific organisation of managerial labour, automatic systems of management, clerical work, etc. The system of concrete sciences on management constantly develops with the appearance of new sciences (e. g., that on control).

Importance is attached to four basic aspects in the analysis of managerial problems both in concrete economic and concrete management sciences. The first and basic aspect—the study of socialist production management. It has two sub-aspects: management in the USSR and management in other socialist countries.

The second aspect—historical. It also has two subaspects: the history of management as such and the history of theories of management.

The third aspect—analysis of non-socialist types of management, modern management of capitalist production, first and foremost. It also has two subaspects: analysis of management as such and analy-

sis of theories and views expressed by theoreticians of the non-socialist type of management.

The fourth aspect—anti-criticism of sorts: criticism of anti-communist and anti-Soviet, bourgeois, petty-bourgeois, reformist and revisionist theories.

It stands to reason that without analysis of the fundamentals and practice of management in all the socialist countries, without the study of historical data, without a critical analysis of the concepts and practical experience of the non-socialist types of production management, without criticism of anti-communism the scientific principles of management cannot be regarded as complete to any extent.

Naturally, the leading aspect is the analysis of socialist production management, first and foremost, on the basis of the extensive experience accumulated by the USSR—the world's first country of real socialism. This analysis provides better understanding of the experience accumulated by the other socialist countries, the history of socialist management and the development of views on this problem, as well as the theory and practice of capitalist management.

3. Theory of Socialist Production Management

Necessity of management theory. Management is an integrated social phenomenon and constitutes a system. Accounting must be arranged in such a way as to provide the system of planning with all the essential data. Material incentives must be supplemented with moral rewards, financing must have the backing of material and technical supplies, etc.

Not a single one of the concrete managerial sciences can ensure such an approach to the entire system

of management because it goes beyond their scope. The coordination of accounting and planning is based on data provided by sciences which study these fields, but coordination as such is not their subject.

The more concrete managerial sciences appear, the greater the diversity of methodological and theoretical principles, the more acute is the problem of integrating these sciences and developing an approach to management as a whole. A science that would be fully devoted to problems of management as a whole is a must. The existence of common features, common regularities—integrated, general, system—provides the prerequisites for the science of such regularities in management, namely the theory of management.

Both the possibility and necessity of the theory of management crop up at that level of socialist economy when management and the management science become increasingly complicated, when the task of the system and integral approach to the problem is extremely acute.

The necessity of scientific management has always been inherent in socialist planned management, which enjoyed the backing of the system of sciences and the scientific principles of management. However, the structure of these scientific principles is not rigid. At the current stage in the economy of developed socialism in our country, there have appeared both the necessity and possibility to base practical management not only on the concrete sciences of management, but also on the special theory of management.

The subject of the theory of management. The theory of management of socialist production deals with the regularities of management as an entity

and an integrated component of the economic system of socialism.

Marx noted two of the most typical features of management: the establishment of coordination and the execution of general functions. He wrote of management as "a directing authority, in order to secure the harmonious working of the individual activities, and to perform the general functions that have their origin in the action of the combined organism, as distinguished from the action of its separate organs".[1] The theory of management studies the laws governing the system of management as a whole and the laws governing the relationship of its components.

The regularities of management as a whole are those which govern the formation of the system of management: its structure, personnel, engineering facilities, methods. These are studied by theory of management.

The regularities of management as a whole also embrace those which govern the functioning of the system of management, the relationship of its elements. These, too, are studied by the theory of management.

The aspect and particular regularities of management are studied by the concrete sciences of management, whereas the comprehensive regularities, both system and local, are the subject of study by the theory of management.

Inasmuch as the theory of management studies the regularities of management as a whole, it is of

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[1] Karl Marx, *Capital*, Vol. I, Progress Publishers, Moscow, 1974, p. 313.

prime interest to those who have to deal with problems of management as a whole, namely leaders of the economy. The theory of planning is intended for planning personnel, the theory of accounting and statistics is intended for accounting workers but the theory of management is, first and foremost, a science for economic decision-makers. It stands to reason this science is important for both all those who are employed in the system of management of the economy and those working people who participate in socialist management.

The method of the theory of management. The method of the theory of management of socialist production is based on the dialectical method that is common for all sciences. The method of the theory of management has the following approaches: national economic, planning, system, integrated, optimisation, pragmatic (applied).

The national economic approach resorts to analysis that gives priority to problems of management of the entire socialist social production. This is the basis for further analyses of interindustry and interregional problems of management of industries, regions, associations, enterprises and economic establishments. The planning approach means that planning is the organising principle within socialist management.

The systems approach means that management is treated as an entity in which all the elements are harmoniously interrelated. That is why the theory of management proceeds from the general to the particular and the whole dominates the elements.

The integrated approach means that the theory of managements regards management as a unity of eco-

nomic, political, organisational, technical, legal and psychological aspects. The socio-economic aspects predominate.

The optimisation approach comes down to the achievement, wherever possible and necessary, of a quantitative certainty in analysing management problems. This approach uses the quantitative data to construct mathematical models, including those which open the way to optimal decisions in the strictly mathematical sense. Quantitative description in terms of mathematics makes it possible, apart from anything else, to ensure a simple understanding of management problems by various sciences, which is very important for management.

The pragmatic or applied approach in the method of the theory of management gears the latter to practical requirements, and means that these requirements are to be satisfied and future requirements of practical management foreseen.

Two parts of the theory of management. Inasmuch as there exist two types of regularities within management—regularities as principles and as specific recommendations—we may identify two independent parts within the framework of the single theory of management, in the subject-matter and in the method. The first part is called theory of leadership and it studies and identifies the system and local principles of management. The second part is called theory of managerial art or, for short, the art of management. This part resorts to the model approach and elaborates recommendations for concrete situations.

The theory of management is sometimes reduced to its logical orderly part, while the art of management is treated as a sphere of creative application of

principles. This substantially waters down the theory of management. It must be borne in mind that the art of management also provides knowledge concerning the regularities of management, true, in a special form, and not as generalised, but nevertheless knowledge.

The contents of the theory of leadership. The theory of leadership comprises four sections: mechanism of management, structure of management, process of management, and improvement of management.

The mechanism of management deals with the fundamentals—the most general regularities and principles of management. It also deals with the regularities governing the formation of management goals. The mechanism of management also embraces the means of achieving goals, i. e., the methods of management, and also the functions of management—the basic spheres of managerial activities.

Analysis of the mechanism of management provides the basis for the second section of the theory of leadership—the teaching on the statical system of management and its structure. This section deals with the regularities governing the structure of management and its realisation within the system of management bodies. It also analyses the regularities governing the basic components of management—the personnel and the technical facilities of management.

The next section of the theory of leadership analyses regularities in the management process which is examined in terms of content, organisation and procedure. Studies are focused on the basic unit in the process of management—the decision-making, realisation of this decision and also the methods of management.

The system of management constantly develops and the fourth section of the theory of leadership is the teaching on the improvement of management. This section deals with trends and prospects for the development of management, its rationalisation and red tape control.

Theory of the art of management. The theory of the art of management, as part of the theory of management, is based on the model. A model is an individual case (positive or negative) that has been subjected to critical analysis. The model incorporates a description of the situation, an analysis of the problem, an analysis of alternatives for its solution, a description of the decisions taken and a time factor analysis of the results achieved. A model becomes an integrated element of the theory of the art of management only when it incorporates the decision and an analysis of the decision.

Within the theory of the art of management, management models are classified the following way:

—models which are common for any leader, irrespective of rank (general situations);

—models which are typical for management of the national economy as a whole (national economic situations);

—models which are typical for management of an industry, territorial complex, etc. (economic situations);

—models which are typical for management of an enterprise, association, establishment (production situations).

Depending on the problem to be dealt with the model may be referred to any one of the four sections of the theory of leadership. Ordinarily, however,

a model embraces simultaneously the problems of structure, of personnel, of methods of management, etc. A model is multiform and versatile and in this lies its peculiarity.

Tasks of the theory of management and methods of its study. The theory of management is called upon to provide the knowledge for scientific management. However, it would be erroneous to adopt an extremely utilitarian approach to the tasks of the theory of management. The principles and recommendations of this theory should not be treated as something that is a must in all cases. The theory of management cannot and does not offer absolute recommendations and ready-made formulas.

The principles and recommendations of the theory of management provide the methods for analysing practical problems, outline in a systematic form the experience accumulated in dealing with similar problems in the past, summarise successes and failures. These principles and recommendations are instrumental in practical work but they also leave the door open for their creative application depending on the circumstances, for independent thought and action. The theory of management does not substitute a rubber stamp for creative activity, but on the contrary stimulates such activity.

Because of the special nature of the subject-matter, its methods and tasks, the theory of management requires special methods for its study. Inasmuch as the theory of management lays emphasis not only on knowledge but also on skills, its traditional lectures and seminars are supplemented by the so-called active methods of studies: analyses of concrete situations, business games, etc. All this is intended to help

the students to get a better understanding of the specific features of managerial activity.

Situations must be recognised as elements of the theory of the art of management (in which the situation must incorporate a solution model) and the method of situations—as a method of instructing. Situations used in teaching can be devoted to the theory of leadership and art of management, they may contain a decision or demand one from the student.

The application of active methods is an important feature in the study of the theory of management, a means of gearing this theory to everyday life and realising its tasks to the full.

CHAPTER THREE

GENERAL PRINCIPLES AND FUNCTIONS OF MANAGEMENT

1. *General Principles of Socialist Production Management*

Concept and classification of general principles of management. The category of principle means fundamental rule, leading idea, basic requirement. The principle is determined by the objective regularities of management, and it expresses the most general and most stable features in these regularities. The principle summarises the fully justified experience of management and determines the mode of activity. The principle does not exclude alternatives and choice, but outlines and limits the range of alternatives.

The general principle constitutes one of the types of managerial principles and is one of the most essential ones. The general principle has impact on the *entire* system of management: its goals, methods, structure, personnel, and process.

Neglect of general principles of management leads to more or less grave errors in management. On the other hand, knowledge of the general principles is not a guarantee of success because many other factors have to be taken into consideration: particular and local principles of management and concrete situations. For this reason consideration for general principles is an essential but not the only prerequisite for successful management.

Lenin made a fundamental contribution to the development of the general principles of socialist management and, therefore, it is quite logical that they are known as the Leninist principles.

The general principles of management, which operate within the system of socialist production management, comprise two groups. The first group embraces principles which are common for all types of management in socialist society. The second group is made up of principles that are specific for management of socialist production.

In accordance with the Constitution of the USSR the *general principles* of socialist public and state administration are democratic centralism (Art. 3), socialist state law (Art. 4), Party leadership (Art. 6), participation of social organisations (Art. 7), and work collectives (Art. 8) in running the state and public affairs. All these principles, which are common for all types of management under socialism, are compulsory for production management as well.

Socialist production management has its own *specific principles*. Article 16 of the USSR Constitution identifies such principles of economic management: combination of centralised direction with the managerial independence of enterprises, use of economic levers and incentives, including cost, planning, combination of sectoral and territorial principles.

Let us now examine in brief the general and specific principles.

Democratic centralism. The principle of democratic centralism stems from the very nature of socialist public property. Since this is the property of the *whole* of society, there is the inevitable principle of centralism, but since it is also the property of every *in-*

dividual member of society we have the democratic principle. Centralism and democratism constitute the dialectical unity in which centralism is the leading factor. Lenin wrote on the subject: "We are for democratic centralism. And it must be clearly understood how vastly different democratic centralism is from bureaucratic centralism on the one hand, and from anarchism on the other."[1] The only centralism that is stable and deep-rooted is the one that is harmoniously combined with democratic principles. Besides, it is consistent use of democratic principles that ensures and guarantees the socialist nature of centralism, guards it from degeneration into bureaucratic and voluntaristic centralism.

The forms of centralism and democratism are not set once and for all. They develop and vary but the combination of these two principles makes up the general principle of socialist management.

Democratic centralism is at the core of the entire system of management and serves as the basis for the structure of management and the system of methods of management. Personnel selection in economic management is also based on the principle of democratic centralism. This is indeed the general principle of management—of its mechanism, structure, and process.

Increasing importance is attached to the centralised approach in the economy of a developed socialist society. This process goes hand in hand with the further development of the democratic principles in management.

[1] V. I. Lenin, "Original Version of the Article 'The Immediate Tasks of the Soviet Government' ", *Collected Works,* Vol. 27, Progress Publishers, Moscow, 1977, p. 207.

Party leadership. The essence of party leadership lies in the fact that it constitutes political leadership. Politics is a concentrated expression of economics. In realising political leadership the Party expresses in concentrated form the general and ultimate goals of the national economy. That is why party leadership is another general principle of socialist management. In accordance with the Constitution of the USSR the Party is the guiding force of socialist society in all its aspects of life.

The Party is the most consistent advocate of the centralised approach to management and its political directions express in concentrated form the most crucial problems of economy. The Party is also the most consistent advocate of use of democratic principles in management because it expresses most fully the vital interests of all the working people.

Party leadership is realised by means of:

—elaborating an economic policy and a policy in the sphere of management;

—guiding the creation of organs of state administration and providing party control over their activity;

—selecting and training management personnel and conducting ideological work;

—solving crucial problems by methods inherent in party leadership.

Party leadership is realised through party organs and primary party organisations. The Rules of the Communist Party of the Soviet Union (CPSU) entrust the party organisations of factories and institutions with the task of controlling the activities of the administration. They also conduct organisational work in dealing with crucial problems of production

efficiency, ideological and political education of the work collectives, development of socialist emulation, consolidation of labour discipline, and guidance of other social organisations. The party organs direct the national economic bodies by methods inherent in the Party.

While directing managerial activity the Party resolutely outroots all attempts to substitute party efforts for economic management.

Socialist state law. Under socialism society is represented by the socialist state. This means that the general principle of management of society lies in state administration and in the ensuing compulsory legal regulation of management on the basis of state laws, i.e., socialist state laws.

The state law outlines the basic acts of management. All the components in the system of management—from the methods to the personnel, from organs to processes—are regulated by legal acts (laws, resolutions, principles, etc.). Anyone employed in management is expected to know all these laws and to act in accordance with them. Adherence to law ensures stability and promotes management.

Legal regulation means the entire complex of juridical methods to exert influence and it is found within the system of standards of socialist law. A legal regulation is a general rule of behaviour established by the state. It is obligatory for fulfilment and is backed by the force of the state.

The law is a regulation act of supreme juridical power. The Constitution of the USSR, the country's fundamental law, holds a special place. The basic juridical regulations are systematised in special codes. Decrees issued by the Presidium of the USSR Supreme

Soviet are related to law and acquire the power of law after being approved by the Supreme Soviet of the USSR.

The laws and decrees serve as the basis for other legal acts: resolutions and decisions of the USSR Council of Ministers, regulations, orders, and instructions of other bodies of state management.

The experience accumulated in socialist management corroborates the necessity of special attention to adherence to socialist legality.

Participation of social organisations and work collectives in management. The very nature of socialist property as something belonging not only to society as a whole, but to each of its members as well, leads to a situation where the working people have the principal role in production management. The objective character of the laws of socialism makes it imperative to study these laws and make conscious use of them, and also determines the working people's role in management. The people govern not only through the state mechanism and their vanguard, the Party, but also take a direct part in management. In order to use the objective laws of socialism more effectively and to realise the full potential of socialist ownership, the working people's direct participation in management should be increased. Lenin wrote: "As man's history-making activity grows broader and deeper, the size of that mass of the population which is the conscious maker of history is bound to increase."[1]

The working people take a direct part in management through their social organisations and work col-

[1] V. I. Lenin, "The Heritage We Renounce", *Collected Works*, Vol. 2, 1963, p. 524.

lectives, and also individually. The right to such participation is guaranteed by the Constitution of the USSR, the Fundamentals of Labour Legislation of the USSR and the Union Republics, and the Law of the USSR on Work Collectives and on Increasing Their Role in the Management of Enterprises, Institutions, and Organisations, and stipulated in the laws on state administration bodies, in the instructions for administrative decision-making procedure, etc.

Various social organisations of the working people take an active part in management: the trade unions, the Young Communist League organisations, organs of people's control, scientific and technical societies (including the Scientific and Economic Society of the USSR), etc. The trade unions which are the most mass organisation of the working people hold a leading place in this work.

The Law on Work Collectives has granted extensive rights to the members of the primary labour cell of society in various spheres of management.

The working people participate in management not only through their social organisations and work collectives, but also directly, by means of elections, general meetings, reviews, competitions, etc.

It is very indicative that the most efficient forms of organising production incorporate the most developed forms of participation by the working people in management (including election of the team leader). It is here that developed democratism comes out as an important factor in efficient management. Great importance is also attached to developing the direct participation of the working people in management, which promotes in each worker the sense of being the master.

Combination of centralisation and economic independence. Public socialist property and planning call for centralised leadership, i. e., centralism. At the same time, socialism provides the objective prerequisites for decentralised management. The basic law of socialism, which is aimed at meeting the requirements of all members of society, also calls for decentralisation. In its turn decentralisation is linked with the necessity of realising one of the fundamental principles of socialism—the principle of distribution according to labour. In the centre it is hardly possible to take into account the concrete labour contribution of each worker. Account of these results and distribution according to labour demand decentralisation.

All this explains why the same features of socialism, which give priority to centralism, also demand a certain degree of decentralisation in order to promote centralism. Centralisation and decentralisation are interrelated and mutually dependent. They are not antipodes, but opposite parts of a whole which is based on centralism.

Decentralisation in socialist management boils down to the principle of economic independence of the basic production unit of the national economy. The economic independence of a production establishment is due to the fact that it is the sole economic unit which puts out produce and services. This unit not only produces goods or services, but also commodities. This independence is necessitated by the fact that a production unit in modern production is isolated both technically and production-wise.

The degree of economic independence of the basic production unit depends on the general system of management and is determined by the latter. With

the present economic level of developed socialism, it is required to find a new ratio of centralisation and decentralisation that would correspond to the new conditions, i. e., the degree of independence of the basic production unit.

Principle of planned development. The principle of planned economy proceeds from such a fundamental feature of socialist production as its balanced development. Development according to plan is the lode star for the whole of socialist management. The entire system of management under socialism has planning at the core: balanced development as the basis of management, development according to plan as the principle of management, planning as the major function of management. The planning bodies constitute a leading section of the structure of management. Centralised production targets constitute the main method of management. Elaboration and fulfilment of plans constitute the basis of the management process.

The successful realisation of the principle of development according to plan is facilitated by science and the cognition of the objective laws of production. The contents and forms of realisation of this principle develop hand in hand with the development of the socialist economy, its production relations and material and technical base.

Combination of the sectoral and regional approaches. Socialist management of economy is based on centralism and planned development. The scale and nature of socialist production, its production and regional structure necessitate a single planned management which would combine the sectoral and regional approaches.

The sectoral division of social production is objectively necessitated by the nature of the end product, the machinery and technology of modern production, the personnel involved, the type of raw material used and other factors. That is why the sectoral approach comes out as a general principle of management in identifying functions, outlining goals of management, elaborating methods and creating the structure of management.

The spatial, regional structure of social production is also objective and, hence, the regional approach is a must in dealing with any problem of socialist management.

Inasmuch as both the sectoral and regional division are related to one and the same object, namely social production, it is necessary to combine the sectoral and regional approaches in the management of this production. This may take different forms. The sectoral and regional structures continuously develop, and, accordingly, the principle of combining the sectoral and regional approaches is realised differently.

Coordination of both approaches is a complicated and contradictory task. Both approaches, however, are based on a single national economic complex and this means that the dominating factor is not the differences and contradictions, but the unity of the sectoral and regional approaches. These are two essential aspects of a single management process.

Thus, the principle of planned centralised management is combined with the principle of economic independence of the basic production unit and the principle of the sectoral and regional approaches.

The fact that we identify three elements within the single socialist management (basic production

unit, sector, region) does not undermine management, rather on the contrary, it promotes management.

The principle of applying the economic approach. Article 16 of the USSR Constitution stresses the link between the economic management and the active use of economic levers and incentives. This accentuates the fact that the use of economic levers is not merely a problem of methods of management but also a principle of the entire system of national economic management.

The economy can be managed only by taking into account the objective economic laws. That is why the economic approach constitutes a general principle in socialist economic management.

The more mature the economy of socialism becomes, the more its inherent production relations and the corresponding objective economic laws develop, the greater is the necessity for an economic approach within the entire system of management. The principle of the economic approach is applied to the full in the management of the economy of developed socialism.

The principle of the economic approach demands due consideration for the requirements of the basic economic law of socialism, the law of planned, proportionate development, the law of distribution according to labour, etc. not only on the scale of the national economy, but, in the long run, at each level and in each section of management. The principle of the economic approach also demands due account of the laws of commodity production under socialism and, in particular, the law of value.

The principle of the economic approach incorpor-

ates a steady growth in social production efficiency, scientific and technological progress, higher labour productivity, better quality and saving of social labour and resources.

A specific feature of the present stage of the system of management is its transition from the system that was developed in the 1930s, when it corresponded to the task of laying the foundations of socialism, to the system which reflects the current stage in the economy of developed socialism. As pointed out by the September 1965 Plenary Meeting of the CPSU Central Committee, the basic difference between the two systems lies in the changed role of the economic approach, in the transition to management with priority given to economic methods. Yuri Andropov wrote: "It is necessary always to proceed from the laws governing the development of the economic system of socialism. The objective character of these laws makes it necessary to avoid any attempts to run the economy by methods alien to its nature."[1]

The general principles of socialist management are compulsory in the solution of all problems of this management.

2. *Management Functions*

Concept and types of management functions. Management functions constitute a relatively independent element of the single system of management, one that has become isolated in the process of its specialisation.

Management functions are isolated depending on

[1] Yuri Andropov, *Selected Speeches and Articles*, Progress Publishers, Moscow, 1984, p. 253.

the specific features which are inherent in the object of management, i. e., socialist production. The determining factors are the statistical (structural) and dynamic (temporal) characteristics of the object.

In accordance with the structure of socialist production we identify functions which refer to:

—the national economy as a single complex;

—the sectoral structure of the economy (sectoral management);

—the regional structure of the economy (regional management);

—the independent functioning of the basic production unit (management of an enterprise or association);

—individual elements (or parameters) of production (management of work, scientific and technological progress, etc.).

Production has to go through the following stages before it becomes reproduction: supply, production proper, marketing. In accordance with the dynamic characteristics of the object the following functions may be identified within management: management of supplies, management of production proper, management of finances, and management of marketing. These are called special managements.

All the functions which are identified under the influence of the object of management may be classified as *economic functions.*

Within management itself we may identify functions which deal with various stages of the management cycle: preliminary management, operational management and completive (or final) management. Preliminary management embraces elaboration of goals and methods for their achievement, forecasting,

and planning. Operational management comprises organisation of the structure, selection of personnel and realisation of planned measures by issuing commands (administration). The final stage in the cycle of management is control which cybernetics has given the name of feedback. All three stages of management incorporate functions of accounting and analysis.

Those functions that have been isolated under the impact of the subject of management are *basic functions.*

Management functions may be isolated under the impact of several factors. For instance, such a function as planning of supplies in agriculture has been isolated under the impact of sectoral division of production (agriculture), division of production into stages of reproduction (supplies), and division of the process of management into stages (planning).

The function of leadership. Management comprising individual functions is an entity and a system when all these functions are bound together on a permanent basis. Henceforth, along with the basic and economic functions, there is the function of integration which is called upon to bring together all the other functions. It may be called a function of leadership. It is a "superfunction", as it were, and expresses unity of management.

The essence of the function of leadership lies in the *definition of purpose.* It is the initial function of management, its basis, the beginning of the cycle of management. The function of leadership elaborates the general system of management: its methods, structure, personnel, process, etc.

In practice, some of the basic functions, e. g., con-

trol, are at times included into the function of leadership. Indeed, sometimes the division of labour in management is incomplete and in these cases leadership may incorporate control and even planning, improvement of management, and selection of personnel. As management becomes increasingly complicated and division of managerial labour develops more and more, the number of isolated functions grows accordingly. Leadership comes out more and more in its main role—as an integrator of all particular functions.

Economic functions. Management of the national economy as a whole is the main feature of production management under socialism. In this lies the basic difference between socialist management of production and management of production in all other social formations.

The general idea of management of the whole of social production goes back to the time of utopian socialists. Marxism has scientifically substantiated the possibility and necessity of such management, the prerequisites for its appearance and realisation.

Management of the entire economy from a single centre is something that cannot go alone by itself. The principle of democratic centralism, which reflects the basic features of the object and subject of socialist management, substantiates the necessity of supplementing, developing and strengthening the single management of the economy as a whole by other types of management, of raising the efficiency of single management with the help of other types of management.

We identify, first and foremost, the function of *management of the basic production unit of the econo-*

my—a production enterprise. The latter is not merely one of the components of the economy. It is *the sole* component where material values are *created* and where the process of production takes place.

Under socialism, when enterprises have become units of a single economy, their role changes. They remain basic units of production, but within the system of management it is centralised management that has become the main element.

It would be wrong to view management of an enterprise as the main function of socialist management. At the same time, it must be borne in mind that it is the production unit that creates the material values, whereas the other units only manage the enterprise to ensure its efficient performance.

Today, individual enterprises are no longer the basic production unit of the economy—they have given way to production associations, i. e., groups of closely related enterprises in terms of production, science, technology, and economy. Between the management of the entire economy, on the one hand, and the management of a production enterprise, on the other, we have two more types of management: sectoral and regional.

Sectoral management is based on the objective process of division of social production by industries. Sectoral management emerged on a production and technical basis and is connected, first and foremost, with the output of produce, with meeting demand for this produce, with its substantiation, and scientific and technological progress. Sectoral management is realised in various forms, including full separation of goals, organs, methods, processes, and personnel.

Social production exists in one or another regional form and this means that sectoral management must be combined with regional management.

Regional management varies in scale from major economic regions to individual regional units. Regional management exists in two basic forms: one that is based on the country's administrative division (region, district, city, etc.) and the other that is based on regional economic complexes (economic regions, regional-industrial complexes, industrial and agricultural centres, etc.).

The first form of regional management has to deal primarily with the population of the given administrative unit within its clear-cut borders and embraces the whole of the economy in the given region. With this form of management special importance is attached to the problem of servicing the population—to the social and communal infrastructure, including environmental control.

The second form of regional management is based on the objectively existing and constantly developing regional economic ties. Particular importance is attached to the common production facilities shared by various sectors—power, transport, etc. (production infrastructure) and also production facilities using local resources and meeting local requirements (local economy).

It is indeed a difficult task to coordinate the two approaches in regional management, let alone to coordinate regional and sectoral management.

The existence of elements of production, supply, sale, and financing within the sphere of economic activity predetermined the appearance of corresponding management functions. These may be classified as

intersectoral functions which are called upon to realise tasks that are common for all sectors and the region as a whole. Contrary to national economic management intersectoral management deals with individual economic functions.

Basic management functions. Among the basic management functions those of special importance are planning, forecasting, operational management, accounting, control, and analysis.

Planning of socialist production is the pivotal element of management, the leading function of management. Planning as a function is realised through a system of plans: national economic, sectoral, territorial, financial, etc. Coordination of these plans is ensured by the fact that the plans of subordinated levels of management are based on the planned quotas set by higher levels of management, while, on the other hand, the plans drawn up by higher levels of management incorporate proposals drawn up by the subordinated levels of management.

There is also a system of plans based on the time factor: long-term plans (comprehensive programmes for scientific and technological progress covering 20 years and plans for social and economic development covering 10 years), medium-term plans (five-year plans as the basic unit of planning), and current (annual) plans. This basic system is supplemented by various special programmes and plans (e. g., the food programme, the power programme, the plan for the construction of the Baikal-Amur railway line and its regional development, etc.). Coordination of these plans is ensured by dividing the comprehensive programme for scientific and technological progress into ten-year periods, by dividing the ten-year plan

into five-year periods and by dividing the five-year plans into twelve-month periods. This coordination is also maintained through the entire system of plans being developed for the future every five years.

The plans are preceded by various development *forecasts*—estimates of development trends under permanent factors (passive forecast) and under changing factors (active forecast). These forecasts serve as the basis for several alternatives of the plan which are then studied and the final choice made. A plan, as such, constitutes a system of measures ensuring the achievement of managerial goals.

The function of operational management provides for the organisation of plan fulfilment: motivation (stimulation) of workers, organs of management, production units and current administration (command).

Accounting as a function of management embraces observation of facts and phenomena, their measurement, registration on various carriers, storage of data obtained and their processing.

It is traditional to identify three types of accounting: administrating, bookkeeping, and statistical (or statistics). In a sense this division illustrates the levels of acquisition, accumulation, processing and generalisation of data concerning production processes. At the same time, all three types of accounting are closely interrelated. This is achieved by the fact that the lower levels of accounting are organised in accordance with the methods requirements of the supreme levels. Thanks to this the lower levels provide data for the supreme levels that can be checked, grouped and analysed. Along with this, each type of accounting has its own range of phenomena to be observed, its own tasks, methods and organisation.

Administrating accounting has to deal with the following: 1) observation, measurement, registration and documentation of acts and operations within the framework of economic activity; 2) primary processing, acquisition and forwarding of data for operational management of production processes at all levels of management; 3) provision of data for higher levels of accounting.

Bookkeeping embraces economic facilities (material and money) of enterprises and organisations, the source of these facilities, and operations performed. Bookkeeping ensures consecutive summarisation and grouping of data of administrating accounting in mutually interrelated accounts, which produces a generalised model of the state and movement of finances of an enterprise—a model that possesses analytical properties. Such a model is achieved through the application of a number of methods of efficient organisation of information: double-entry bookkeeping, calculation, bookkeeping balance.

Statistics develops methodology and arranges acquisition of data describing all the processes in the development of the country's economy and culture. The subject of statistics is the quantitative aspect of large-scale social and economic phenomena, i. e., such phenomena in which the mass of individual factors and indices reveals regularities and trends in the development of socialist social production.

Within the framework of the state socialist economy the basic form of statistical observation and the main source of information are the state statistical reports presented by enterprises and establishments according to a given programme and on the basis of administrating and enterprise accounting. In those

cases when statistics has no initial data of this kind, there are special statistical inquiries—total, selective and monographic.

Control as a function is objectively essential for the system of management of which it is an integral part. Within the process of management control not only finalises the process, but also initiates new managerial decisions.

Types of control under socialism differ in terms of the subject of control, i. e., who exercises control. There is, therefore, state (government) control, public control and people's control.

Party control holds a special place and in a socialist society goes down to the core of activities of all state and social organisations.

In organisational terms we identify preliminary, current and final control. Preliminary control is exercised prior to the decision-making on any problem with the purpose of avoiding erroneous or ungrounded decisions. Current control is realised in the process of executing adopted decisions and plans at a stage when the planned goals have not yet been achieved. Final control checks the correctness of the decisions and their realisation, identifies errors made and those responsible for them, analyses the reasons for the errors and verifies the extent to which the decisions were grounded.

On the basis of relationship between the controlling and controlled organs and organisations we identify external and internal control.

Economic analysis is an important function of management. Economic analysis is subdivided into the following components: operational, current, long-term, and theoretical analysis.

Operational analysis deals with operational management of production and control of current plan fulfilment. Current analysis is aimed at studying concrete factors and phenomena, at ensuring proportionate and efficient development of the national economy during the year. Long-term analysis studies the basic trends and leading long-term factors affecting the development of the national economy, sectors, and economic regions. Theoretical analysis is aimed at studying the basic regularities in the development of the economy, knowledge of which is essential for identifying basic priorities and concepts in economic policy.

In terms of content economic analysis may be complete (integrated) or thematic (local).

Realisation of management functions. Inasmuch as management is subdivided into individual sections, types, and functions of management, there arises the question of how each one of these management functions is to be organised and realised. The organisation and realisation of each function in management has its own specific features. In general terms, however, each function operates according to the same principles which are characteristic of management as a whole.

Each function has its own principles, goals, and methods of realisation. Each function, moreover, has a static characteristic: bodies which realise the function, personnel, facilities, finances, a system of information. Finally, each function has its own dynamic characteristic: the process of realisation of goals with the help of the methods, organisation and technology of this process.

Both the static and dynamic characteristic of management functions are dealt with in special lecture

courses, e. g., planning, accounting, finances, sectoral and regional economics. The theory of management, by the very virtue of the subject-matter, deals with management as a whole, with the functions of leadership. It elaborates the general outline of management and thus provides the general basis for the realisation of each type of management.

Let us now turn to these general components of management as a whole, to leadership—its goals, methods, structure, bodies, etc.

CHAPTER FOUR

GOALS, ECONOMICS AND EFFICIENCY OF MANAGEMENT

1. Goals of Management

Concept of goals and management. The goal of management is the future desirable state of the object of management as expected by the subject of management. A goal is basically objective and follows objective regularities. At the same time, a goal is always a product of the intellect, a deliberate choice of that alternative of objectively possible development that suits most of all the subject of management. Choice of goal is the starting point of management. The goal determines the methods, the structure, the personnel, and the process of management.

Goals may be trajectorial, i. e., outlining the curve of development, and point (specific targets). The goals may be formulated as either qualitative or quantitative targets.

In terms of time the goals are long-term, medium-term and short-term. Goals may also be strategic, basic, fundamental, and tactical.

Importance is attached to identifying the ultimate goals and the intermediate goals. The ultimate goals are those which ensure the result. When it concerns economic management, the ultimate goal means satisfaction of requirements in commodities and services which are the produce of economic activity. The intermediate goals denote stages in achieving the ul-

timate goals (production of machinery and objects of labour, etc.).

In the light of functions of management we may discern national economic, sectoral, regional, and functional goals and targets of the basic production unit of economy. In terms of content we may identify political and ideological goals, social and economic goals, scientific-technical and production-technological goals. More often than not the goals are of an integrated nature, combining various aspects.

The goals are interrelated and interact in a certain way. For instance, social goals are linked with economic goals and strategic goals are linked with tactical goals. Several related goals may be aggregated into one common goal, while one common goal may be reduced to several specific targets of the same type (disaggregated). Aggregating and disaggregating occur, for example, during the transition from scientific and technological goals on the scale of the national economy to scientific and technological goals of sectors, regions, and individual enterprises. Another instance is the transition from scientific and technological long-term goals to short-term goals.

Several differing goals may be brought together in a qualitatively new goal (coordination) while goals of one type may be reduced to a different type of goal (reduction). Coordination of goals means that the supreme goal (e. g., housing construction) incorporates a number of other goals essential for its achievement (construction of apartment houses, repairs and maintenance of the existing housing resources, production of furniture, household appliances, etc.). Reduction, for instance, means transformation of political goals into goals of a different type. As an ex-

ample: the first five-year plan in the USSR pursued the political goals of ensuring the country's economic independence, its defence potential, and the liquidation of the exploiter classes. These political goals were reduced into corresponding economic targets: industrialisation, rapid development of the heavy industry. The economic targets in their turn were reduced to production targets (construction of the second coal-mining and metallurgical centre in the East of the USSR, etc.).

The interrelation and interaction of goals may be illustrated with the help of a method called the "tree of objectives". It is a diagram resembling a ramified root system (hence the name) built on the principle of deductive logic. A general objective is first formed and then reduced into a number of goals of the first level. Each one of these first-level goals, in its turn, is translated into specific targets to produce the second level of goals, etc.

Construction of this tree of objectives follows a number of rules. First, no two or more goals are to intersect within one level. Second, the set of low-level goals is to ensure realisation of higher-level goals. Third, each goal must be assessed in conditional units on the basis of the factor of relative importance (FRI). This helps to identify priorities. The FRI itself may differ in terms of material resources, labour expenditure, etc. Sometimes money evaluations are substituted for conditional units, but in this case many goals which have no value nature have to be assessed in money.

This system of tree of objectives provides a clear image of the spatial and temporal distribution of goals makes it possible to identify key goals, etc. As work

proceeds, the tree of objectives is clarified, a new tree developed, and so on.

It must be borne in mind that the tree of objectives has its own limitations: it provides a static image of interrelated goals and does not take into consideration the fact that the FRI changes in the course of work.

Evaluation and choice of goal. The crucial problem is that of choosing the proper goal. Choosing a goal means either giving preference to any one goal, or identifying the sequence in the realisation of several goals, or selecting a number of interrelated goals. The problem of choice of goal is least of all elaborated in the theory of management.

When a choice is made it means that the goals have been identified, arranged, brought into a system by aggregation, disaggregation, reduction, etc. The choice of goals envisages their proper evaluation, the classification of this evaluation, meaning that this evaluation is comparable and that the *goals have been ranked.*

Evaluation of goals is relatively simple in those cases when we have their quantitative description: natural or monetary. When this is not the case it is for the experts to provide the evaluation in money, points or otherwise.

Choice of goals follows a set of rules. Higher-level goals determine the choice of lower-level goals. The general goal determines the tactical goals, long-term goals dominate current targets, final goals determine intermediate targets, etc.

Special attention must be devoted to relatively more important goals (basic sections) and to goals of strained sectors (bottleneck sections).

The availability of precise mathematical description of processes and identification of criteria have great bearing upon the choice of goals. Whenever there is a formalised description of the process and single criterion for optimisation, the choice of goal is basically simplified. Moreover, it becomes possible to prove in mathematical terms that the given goal is the best alternative.

In practice there exist simultaneously different goals. In those cases when they do not contradict one another, the achievement of any one goal does not hamper the achievement of other goals. For instance, the goal of raising cash incomes of the population and the goal of boosting output do not contradict each other. But whenever we deal with the problem of increasing output and reducing costs we run up into contradicting goals. In this case it is difficult to identify a single criterion and, accordingly, the range of formal approach to the choice of goals is substantially reduced.

In the long run, the choice of goal requires consideration of such a big number of factors that it develops into an art of leadership.

Management by objectives. Goals have always been decisive in management and served as the starting point of management. In our present-day and highly complicated system of management there is a growing danger of losing the contact between intermediate and ultimate goals, between tactical and strategic goals. This leads to the danger of falling back on management as an end in itself.

In order to overcome this danger an approach has been developed, called management by objectives, which envisages constant attention to ultimate goals,

to long-term and strategic goals. This approach means that the methods of management as well as its structure and personnel are more strictly oriented on the goals of management. It calls for an analysis of how the goals have been presented to the executors and to what extent they have been understood by them.

Basic goals in management of socialist production. Article 15 of the USSR Constitution lays down that "the supreme goal of social production under socialism is the fullest possible satisfaction of the people's growing material, and cultural and intellectual requirements".

This general goal of socialist production is translated into concrete targets for periods in economic development. The Guidelines for the Economic and Social Development of the USSR for 1981-1985 and for the Period Ending in 1990, adopted by the 26th Congress of the CPSU, point out among other things: "During the 1980s the Communist Party will continue consistently to implement its economic strategy, the supreme objective of which is steady improvement of the material and cultural standards of the people's life and the creation of better conditions for the all-round development of the individual."[1]

The goals of management are determined by the goals of socialist production, but they are always independent. The goals of national economic management embrace the tasks of boosting output, raising

[1] *Documents and Resolutions. The 26th Congress of the Communist Party of the Soviet Union. Moscow, February 23-March 3, 1981,* Novosti Press Agency Publishing House, Moscow, 1981, p. 163.

labour productivity and efficiency of social production, raising the living standards of the people, etc. These goals are translated into concrete targets for sectoral and regional management.

In general terms the goal of sectoral management is to identify social requirement in the produce of the given industry and to ensure full satisfaction of this requirement. This goal stems from the very nature of sectoral management.

The isolation of the industry (within the framework of social production) on the basis of a community of machinery, technology, utilised raw material, etc. faces its management with the task of conducting a single scientific and technological policy, organising scientific and technological progress within the whole industry as well as specialisation and cooperation of the industry.

These two goals, i. e., concern for meeting the social requirements in the produce of the industry and the implementation of a single scientific and technological policy constitute the fundamental goals of sectoral management.

The goals of regional management are related to the function of regional management. The goals of regional administrative economic management envisage the fullest possible satisfaction of all the requirements of the population of the given region. It is the regional administrative bodies that are responsible for satisfying the needs of the local population.

The situation is somewhat more complicated when we touch on the goals of the management of regional economic units. These goals envisage the development of regional industrial complexes, the efficient utilisation of regional resources, the rational utilisa-

tion of the resources of all sectors of the economy located within the given region.

The goals of the basic production unit of the economy are determined by the place and role of its management within the general system of management functions. The production and economic isolation of this unit has bearing on its relatively independent management.

Within the framework of commodity production this situation inevitably leads to cost-accounting and value priorities in production management. The main goal is to ensure a profit-making utilisation of the national resources allocated to the given enterprise.

Functional management, too, has absolutely concrete targets.

In spite of all their variations all the goals of socialist management form a single system which is subordinated to the main goal of social production under socialism, namely "ensuring *full* well-being and free, *all-round* development for *all* the members of society".[1]

The main problem facing the tasks of management is to overcome subjectivism while outlining goals that would correspond to the nature of management and its functions. Other problems of management can be resolved successfully only by maintaining clear-cut goals in sectoral and regional management, functional management, and management of production enterprises, only by coordinating these goals and realising through them the national economic of management.

[1] V. I. Lenin, "Notes on Plekhanov's Second Draft Programme", *Collected Works,* Vol. 6, 1977, p. 52.

Goals, assignments, indices. Formulation of managerial goals in each individual case comprises two stages: the higher-level management outlines goals for the lower-level unit; the latter, in turn, formulates its targets in the light of the goals set by the higher-level management and those set by itself.

The goals of the higher level which are brought down to the executors are called directives or directive assignments. In formulating these directive targets the higher-level management strives to give maximum consideration to the objective situation of the executor and the opinion and suggestions forwarded by the executor. There exists a complicated interrelationship between the higher and lower levels of management, but the final say rests with the higher level, as representing the single system of management.

While the necessity of directive goals is not to be doubted, there remains the highly complicated question of what the directives are to cover specifically, what aspects of activity and to what extent are to be outlined in directive assignments. The general trend, nowadays, is to cut back on the directive assignments. The directives that are issued refer more often to the economic aspects—labour productivity, efficiency, etc. And finally, the cutback in directives concerns mainly, operational activities (range of products) whereas greater emphasis is laid on assignments concerning long-range development and fundamental decisions (scientific and technological progress, capital investments).

There is a hierarchy of sorts for the directive assignments—some are more important, others—less. There are some which condition accounting of other directives, and there are those which are taken into ac-

count only after the former have been accounted for.

One very complicated problem is coordination of directive assignments. This problem is all the more complicated by the fact that the assignments are handed down in value or commodity indices, sometimes in several indices. Coordination of these indices is an even more complicated task than coordination of the assignments themselves.

On the basis of the directive assignments and their indices the executors formulate the entire system of targets which includes both directive assignments and indices and those which the executors set out independently.

Whenever the interests of the higher decision-making bodies coincide with those of the executors, the process of identifying self-assignments and their coordination with directive assignments encounters only technical difficulties. In those cases when these interests do not coincide, the executors are free to select such goals which indirectly (and sometimes directly) go against the spirit (and sometimes the letter) of the centralised assignment. The greater the independence of the executors, the smaller the ratio of directive assignments in their activities, and the greater the preference to the interests of the executors, the more acute is the problem of coordinating correctly the directive goals and the goals which are set independently. This is one of the basic problems at the present stage in the development of production management.

2. *Economics of Management*

The concentration of considerable labour and material resources in the sphere of management and the

trend of growing expenses on the needs of management call for a special study of the economic aspects of management, i. e., the economics of management. Management not only deals with the economics as an object, but itself displays economic characteristics.

The content of economics of management embraces analyses of managerial activities, management expenses, efficiency of management.

Creative role of management. Management of production is directed at ensuring additional effect which cannot be achieved without management. Marx wrote that even the simplest operation by workers gives birth to a new productive force. This principle outlined in Marx's *Capital* gave a scientific summarisation of a feature earlier noted by Adam Smith: the effect of joint efforts by a group of people who are organised into a collective is greater than the effect of the sum of individual efforts. Smith held division of labour responsible for this effect. Marx wrote that the reason for this new additional effect lies in cooperation with its regularity, deliberate coordination of specialised sectors of joint labour, and, ultimately, in management.

Management, therefore, always performs a *creative function* in production. Given the same facilities and the same personnel, the production result and its efficiency may be very different. Management is one of the basic factors for this difference. Better management, therefore, provides tangible economic advantages.

This rule is effective at all levels: individual enterprises, industries, regions, and the national economy as a whole. For this very reason, the management ex-

penses which are deducted from the gross national product are productive by their nature. Well-organised management, although it consumes part of the resources allocated for production, augments the efficiency of production to a much greater degree. Without management expenses, the results of production would be poor. Figuratively speaking, 90 workers and 10 management personnel do more than 100 workers.

Productive nature of managerial work and management expenses. The substantial increase in expenses on management and the concentration of millions of workers in the sphere of management are an important factor which stimulates serious studies of the economic features of these expenses and the nature of managerial activities.

Under socialism, the spontaneous mechanism governing proportions in social production gives way to a planned and centralised management. In order to realise management on the scale of the national economy there exists a developed system whose maintenance costs more than the system of management under capitalism. Socialist nationalisation of production leads to greater expenses on management, but these expenses are naturally less than the losses incurred prior to socialisation from competition, crises, inflation and other essential attributes of private production (to say nothing of the social aspects).

The growing role of management, resulting from the growing scale of production and greater complexity of production and economic ties, draws more and more material and labour resources into the sphere of management. The expenses incurred in

production management, i. e., management costs show a tendency to grow.

In terms of economics the management costs may take different forms. Management expenses on the level of individual enterprises and corporations are included into the product cost. The ministries and departments are financed by budget allocations. This formal principle of attributing expenses to different sources sometimes leads to the erroneous conclusion that managerial activities at the level of the basic production unit are productive, whereas managerial activities at other levels are allegedly non-productive. There are also objections voiced against the application of the term "productive" to managerial activities, although the creative contribution of management to the development of production is hardly ever questioned.

We find here a very peculiar contradiction: management promotes social labour productivity whereas a substantial part of managerial activities and management expenses is classified as non-productive. Hence the debatable conclusion concerning the reduction of management expenses at all costs, particularly by reducing managerial personnel. In the long run such an approach is fraught with the danger of preventing management from contributing efficiently to the development of production.

Beyond any doubt there is a necessity to reduce management expenses. However, just like the necessity of saving resources in production, it stems not from the nature of labour in the sphere of management, but from the law of saving time. A worker's labour is productive but this does not mean that it should not be saved in every possible way. For this

reason the issue of reducing expenses on management and the issue of the nature of managerial activities constitute different problems.

Managerial activities are informative in their very nature. They are related to the acquisition, processing and transfer of information and their direct result is not a material product but a decision. In this connection there arises the question: is it correct to speak of productivity of managerial activities?

We find the answer to this question in the works of the classics of Marxism-Leninism. When Marx introduced the concept of aggregate worker, it marked the changing nature of production which, at a certain stage of its development, required the large-scale application of the labour of engineers, technicians, accounts, etc. Marx noted that not individual workers but the increasingly socially combined *labour force* became a *real executor* of the aggregate process of labour, that some worked more with their hands, others worked more with their heads, some worked as managers, engineers, technologists, etc., others as supervisors, while still others as labourers or even as apprentices, and all this was incorporated into the concepts of labour productivity and productive workers.[1]

In this present age of mechanised and automated production, whose efficiency depends to a considerable extent on its organisation and progress of science, values are created not only by those who are directly involved in production. There can be no production process without managerial personnel. That is

[1] K. Marx, F. Engels, *Works*, Vol. 49, Politizdat Publishers, Moscow, 1974, p. 95 (in Russian).

why managerial activities must be regarded as productive, or, to be more precise, instrumentally productive.

Inasmuch as there exists an obvious difference between the instrumentally productive nature of managerial activities and direct productive labour of workers, we sometimes use the term "labour efficiency" to describe productivity of managerial activities.

The productive nature of managerial activities substantiates the economic evaluation of this work, assessment of its productivity. This, in turn, opens the way to raising productivity of managerial activities. Such an approach is more comprehensive and effective than the primitive reduction of management expenses at all costs.

A correct comprehension of the productive nature of management and managerial activities provides the basis for a correct evaluation efficiency of management.

3. Efficiency of Management

Efficiency of management as a whole. The system of management is a subsystem in a more complex formation which is production. The efficiency of the system of management must therefore be viewed both in terms of the system itself (in the narrow aspect) and in terms of the production organism as a whole (in the broad aspect).

In the narrow sense of the word efficiency is evaluated in terms of living and materialised labour expenditures for any managerial activity, and also on the basis of changing indices (characteristics) of the system of management. In order to use the fact of

saving money, time, or personnel in management as an index of efficiency, there must be an assurance that the performance of management has not worsened at the least.

Efficiency in its narrow aspect, narrow efficiency for short, possesses various characteristics which are expedient in terms of management. When applicable to the structure of management it means reduction of links, better managerial guidance, etc. When it concerns planning it means maximal planned targets, the time required for drawing up and balancing a plan, etc. For personnel selection narrow efficiency spells higher qualification standards, availability of reserve personnel, etc.

Narrow efficiency is identified whenever:

—management expenses are reduced while managerial indices have not changed or have improved;

—management expenses have not changed while managerial performance has improved;

—management expenses have slightly risen but managerial performance has improved to a greater extent.

Sometimes efficiency is recognised only in its first alternative. The fact of reduced expenses alone is appreciated with no analysis made to find out whether the quality of management has improved or worsened. The second alternative is brushed aside as having allegedly nothing to do with improved efficiency of management. The third alternative is interpreted as deterioration in managerial efficiency. Such an approach is the result of an erroneous understanding of management as a non-productive form of activity and the desire to reduce management expenses by all cost.

Under present conditions management rationalisation programmes are usually arranged along the lines of the third alternatives, i. e., management expenses are somewhat increased, but there is a substantial improvement in the quality of management or an even greater increase in expenses is prevented. A typical example of such managerial activity is the introduction of electronic computers and automated control systems. The introduction of these devices is very costly and maintenance costs of computerised management show an increase. The growing quality of management, however, fully justifies these expenses, to say nothing of the fact that some sections of modern production cannot be operated without electronic computers.

Efficiency in the broad aspect, otherwise broad efficiency, means a comparison of management expenses not with managerial quality indices (as was the case in estimating narrow efficiency), but with the performance indices of the entire production system.

Indeed, the efficiency of a system of management, in the long run, is evaluated in terms of the level and growth rate of the national income and labour productivity, the level of production cost, utilisation of productive assets, etc.

The evaluation of broad efficiency is necessitated, first and foremost, by the fact that ultimately management organises production, and, second, by the difficulties which arise whenever attempts are made to elaborate indices for the quality of the system of management. It is the overall performance of an enterprise or association that makes it possible to assess the standards of management there.

Proper evaluation of broad efficiency is essential

whenever complicated organisational or technical improvements are made in management, a new structure of management is introduced, the system of planning and material incentive is changed, etc. In these cases the changing indices of production alone give a good idea of the profoundness of the changes.

An all-round evaluation of management requires an analysis of both the narrow and broad efficiency. The relationship of the two is the standard relationship of a whole and its part.

In evaluating the effectiveness of managerial activities it is very important to bear in mind the time lag for the full manifestation of the given reorganisation. Some activities (particularly those which deal with selection of personnel, their training, etc.) bring results years later. Changes are connected with the psychology of people, with changes in their behaviour, and this calls for time. Hence, the results and, subsequently, the effectiveness of activities are not seen immediately.

Apart from everything it is necessary to discern "effectiveness" and "economic efficiency" as different categories. Economic efficiency means a set of indices illustrating economic results. Effectiveness embraces not only economic criteria but also non-economic aspects: the social results entailed in improvement of management (e. g. its further democratisation), better working conditions and greater interest in labour, better relations between the personnel, and so on.

In a socialist society there may be such rationalisation which does not improve economic indices, but is socially essential. Take the example of bilingual procedure in state affairs in the constituent republics of

the USSR. In terms of economic efficiency it is not expedient, but the overall effectiveness of the system of management and its political stability are substantially increased.

Efficiency of individual managerial activities. In estimating the efficiency of individual changes in management it is sometimes very difficult to evaluate the broad efficiency. For instance, if we take the labour productivity growth index it is not possible to identify the increment resulting from improved management, let alone from the realisation of any one activity.

Narrow efficiency is better suited for evaluating individual changes. True, it is not always easy to identify it because there are difficulties in elaborating a common view on what indices of narrow efficiency should be like. Sometimes, changes in management are evaluated without resorting to indices. A commission of experts, comprising experienced administrators, specialists, innovation workers, representatives of social organisations and front-rank workers, is invited to draw up an opinion. To-date, there is no unified method for estimating the economic efficiency of management and in practice several methods are used.

Such particular indices as the level of mechanisation in managerial activities are sometimes used in evaluating narrow efficiency. The engineering facilities of managerial activities are measured as a ratio of their cost to living labour expenditures. The quality indices of mechanisation of managerial processes are taken into account, including the speed of acquisition, processing and transfer of information, the possibility of embracing several managerial processes simultaneously, etc.

Among the particular indices of narrow efficiency of management is the ratio between various categories of managerial staff (leaders, specialists, auxiliary staff). The level of management organisation is also determined by the time used up by various categories of managerial staff for any specific job.

An important index of managerial efficiency is the sum of management expenses as against annual production volume or the unit cost. It is important to take into account the dynamic characteristics: the correlation of the rate of national income growth (net produce) and the rate of growing expenses (or personnel) for management and labour productivity. There is an interesting index of correlation of the management expenses increment and produce increment (gross or net) resulting from higher labour productivity. There is a definite relationship between the growing expenses on the realisation of technological progress and the growing expenses on management (as its integral part). The more sophisticated is new technology the higher the additional expenses on management (given other conditions are stable).

There are recommendations for the methods of estimating the economic effect from improved personnel structure in organising associations, of estimating saving of capital investment in rationalising management and also of estimating the increment in labour productivity as a result of rationalisation activities.

The effectiveness of individual rationalisation activities, just like the improvement of the system of management as a whole, may not bring a response in economic indices alone. As mentioned earlier it is very important to take into account the social and political results and the future development.

CHAPTER FIVE

METHODS OF MANAGEMENT

1. The System of Methods of Management

Concept of method of management, its content and direction. The method of management is a means of realising managerial influence, a way of achieving the goals of management.

In order to describe the method of management it is necessary to identify its content, direction, form and structure.

The content of the method of management depends on the objective laws whose requirements it has to meet. In order to manage anything it is essential to take into consideration the objective laws of the given phenomenon, to meet their requirements. Meanwhile, in order to achieve the goals of management, it is hardly enough for the method of management to merely meet the requirements of the laws governing the given object of management. The method must influence the participants in social production—both collective participants (enterprises, organs) and individuals. This is then a characteristic of the direction in the method of management.

The method of management is realised within a system of management and inevitably acquires one or another form.

And last, but not least, in order to cope with the tasks set the method of management must have a specific structure: stimulation, compulsion, incentive and punishment.

The methods differ, primarily, *in content*. The study of the mechanism of economic laws, particularly the mechanism of action of the entire system of economic laws, and the analysis of the role played by the basic law lead to the development of methods which correspond to the requiremens of these laws, i. e., to the development of economic methods.

Under socialism, the methods which are identified by the requirements of economic laws are realised, first and foremost, through the system of cost levers.

Non-economic laws are also inherent in production. These can be divided into three groups: those that are connected with technology and organisation of production; those that are connected with people as an element of productive forces; and those that are connected with the social relations which develop between people in the process of production and which are not of an economic nature (political, national, family, etc.). Accordingly, we may identify three groups of non-economic methods of management:

—methods corresponding to the laws that govern the development of technology and organisation of production;

—methods corresponding to the laws that govern the development of demography, biology, anatomy, physiology, and psychology of man;

—methods corresponding to the laws that govern political, national, and other social relations.

The methods of management have *different impact*. In terms of their influence all the methods of management may be classified into three groups:

—methods of material motivation;

—methods of social motivation;
—methods of command motivation.

Material motivation takes on three forms: social, individual, and collective.

The socialist economy is based on social ownership of the means of production and the aggregate associated labour. This has led to the development of a nation-wide material incentive and a corresponding social material motivation. The workers are fully aware of the fact that the realisation of their individual interests depends, first and foremost, on the labour efficiency of all the members of society. This provides a basis for methods of social material motivation (e. g., by introducing a state system of prices on consumer goods).

Under socialism the welfare of a worker depends to a considerable degree on his personal contribution to the results of common labour. That is why the individual interest of the producer is relatively independent within the framework of public interests. Accordingly, management attaches great importance to methods which influence the individual interest of the worker. This refers, first and foremost, to the system of labour remuneration.

Under existing conditions when workers specialise and cooperate, when a great share of the aggregate worker comprises designers, technologists, economists and other specialists engaged in preparing production, in its servicing and management, it is essential to ensure not only good performance of everyone individually, but also a well-coordinated performance of the entire work collective of any enterprise. From this stems the necessity of affecting the interest of the production collective (team, shop, enterprise, asso-

ciation), and hence the importance of the methods of collective motivation.

In a socialist society the working people display high ideological commitment and consciousness. This conditions the great importance of the methods of social motivation. The communist *subbotniks* (voluntary week-end work without remuneration), counter-plans (plans that the workers themselves pledge to fulfil in excess of quotas), the Stakhanovite movement for overfulfilling plan targets, the movement for a communist attitude to labour—all these are manifestations of social motivation without which the great successes of socialism would have never been possible.

The third type of motivation is methods of command motivation. It is based on the possibility of making people work. Such a possibility is backed by the authority of the state and society and is realised by corresponding means of compulsion.

Forms of methods of management. The forms of methods of management differ in terms of their influence: there is direct influence, there is influence of formulation of assignment, and influence based on the creation of a stimulating situation.

Direct influence is typified by the fact that the superior issues orders in the form of detailed instructions without any explanations. This method is effective only in those cases when the subordinates are absolutely sure in the knowledge and experience of their superior, respect him and trust him, understand the essence and purpose of the order without any elucidation. This method is also valid whenever the subordinates fail to find a correct solution to any problem independently. However, excess use of this

method is fraught with the danger of aggravating the passivity of the subordinates and sometimes disguised insubordination.

Formulation of assignment is a many-sided method since the degree of detailing of the task may vary. This is currently the basic types of management.

The creation of a stimulating situation gives the subordinates opportunities select themselves ways and means of achieving the goals set by the leadership. It is not always possible to ensure such a situation. Besides, in rapidly changing conditions the stimulating situation may be easily outdated. Reshaping the stimulating situation is a lengthy and difficult process. This means that in day-by-day operation the method of stimulating situation has limited potentials. It is a method of long-term overall influence.

The time factor plays an important role in forms of influence. Influences may be long-term and short-term, periodically recurrent and single, strategic and tactical. For instance, attaching importance to a person's service record duration is an example of long-term influence, which is particularly important to young people since it opens prospects to them.

Short-term influences, as a rule, are less sophisticated and less important in economic practice. They fail to provide leverage in controlling accidental events, stabilising management, ensuring its continuity and thus removing the necessity of going into details of problems that should be resolved on the basis of general norms.

For the characteristic of the organisational form of the method of management it is important to know whether the method has a qualitative description or a quantitative characteristic.

The organisational forms of influence may be individual or collective. The individual decisions are fast and sometimes daring, well ahead of their time. Collective decisions are more reliable, accepted by all, but often based on compromise. The adoption of a genuinely collective decision is a lengthy and difficult process. Dealing with the organisational form of managerial influence, it is necessary to dwell at some length on the issue of its legal formulation and regulation. By virtue of its specific features the organisational form of methods of management requires strict adherence to legal norms. This reduces the danger of voluntarism and arbitrariness.

Structure of methods of management. Every method of management incorporates positive motivation, i. e., stimulation, and negative motivation, i. e., compulsion, punishment.

Incentives may be material, social, moral, administrative. The compulsive aspect of methods of management incorporates such fundamental aspects as discipline and responsibility.

Management of socialist production is based on party and state discipline. In a socialist society discipline rests on the high consciousness level of all its members, on the profound understanding of and aspiration for the realisation of communist ideals. Lenin described socialist discipline as "a discipline of comradeship, a discipline of the utmost mutual respect, a discipline of independence and initiative".[1]

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[1] V. I. Lenin, "Fifth All-Russia Congress of Soviets of Workers', Peasants', Soldiers' and Red Army Deputies", *Collected Works*, Vol. 27, p. 515.

There is self-discipline and compulsive discipline. The former means that the members of society are aware of the existing norms, fully accept them and adhere to them on a voluntary basis. With ideal consciousness and discipline on the part of all the participants in a labour process, management may be more like "the mild leadership of a conductor of an orchestra".[1]

The basic components of state discipline are planning, financial, contract, labour, technological, production, employment, etc. In the process of management of socialist social production great importance is attached to contract discipline.

The method of management of socialist social production is based on *responsibilities*: material, administrative, disciplinary, moral, and party responsibility. It is always important to identify the objective measure of responsibility both in cases of success and failure. There is responsibility not only for certain actions, but also for failing to take necessary actions. Responsibility for passivity must be more rigid in order to stimulate managerial workers to display initiative and resort to a certain degree of risk.

This diversity of forms makes it possible to identify many fine points in responsibility. For instance, the low level of material responsibility of managerial workers for environmental pollution by their enterprises may be compensated by party and moral responsibility. The diversity of forms of responsibility, particularly if each form has different subjects, may lead to difficulties in management. Measures of re-

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[1] V. I. Lenin, "The Immediate Tasks of the Soviet Government", *Collected Works,* Vol. 27, p. 269.

sponsibility coming from different channels may confuse managerial workers if they are not properly coordinated.

Responsibility may be personal and collective, direct and indirect. It is essential to avoid joint or common responsibility (which often leads to irresponsibility) by clearly identifying the contribution of each worker to the adoption and realisation of any decision. The principle of individual responsibility for a given assignment must be given priority.

2. *Types of Methods of Management*

The methods of management may be divided into methods of influencing collectives (production or managerial) and methods of influencing individual workers. The second group of methods is sometimes classified as methods of leadership, while the first group—methods of managerial influence.

Methods of managerial influence. The methods of influencing collectives, economic establishments, organs of management may be divided into methods of centralised, direct influence (pure economics) and methods of decentralised, indirect influence (cost-accounting and socialist emulation).

Pure economics incorporates two groups of methods: methods of single influence and methods of current influence.

The methods of single influence embrace the following:

—creation and liquidation of enterprises and organs, allotment of competence;

—appointment and removal of managerial personnel.

The methods of current influence incorporate

methods of general influence and methods of operational regulation.

The general influence methods embrace the following:

—allotment of funds and resources;

—distribution of capital investments;

—regulation of managerial activity by means of standards, environmental control norms, safety regulation standards, etc.;

—establishment of fundamentals of the system of remuneration of labour;

—pricing;

—establishment of payments for resources and other obligatory payments.

The methods of operational regulation embrace the following:

—allotment of directive planned targets for output in terms of quantity and quality;

—organisation of material and technical supplies and sales;

—financing and crediting;

—operational redistribution of planned targets, resources and accumulation.

The correlative role of one or another group of methods within the system of pure economics differs. In the period of industrialisation, war economy, lack of resources, current influence and methods of operational regulation in particular played a leading role. The transition to developed socialism leads to greater emphasis on the basic principle of socialism: distribution according to work. Accordingly, this attaches greater importance to economic independence, to the reduction of centralised interference in current economic activity, and, hence, to a smaller de-

gree of operational regulation in the day-by-day performance of production units.

Methods of decentralised influence. The essence of socialist management lies not only in centralisation, but also in decentralisation. This general principle, when applied within the sphere of methods of management, means that the methods of direct economic influence (pure economics) are supplemented by methods of decentralised influence, i. e., by cost-accounting and socialist emulation.

Lenin attached importance to *cost-accounting* in socialist management. Cost-accounting is the basic method of influencing the main production units within the economy and ensures their relative independence within the general framework of centralised and planned management.

The cost-accounting principle provides for the following:

—allotment of special funds to the production unit;

—limited centralised influence on the production unit by maintaining a restricted and clear-cut set of directive assignments, norms and other means of influence;

—the right of the cost-accounting entity to utilise its funds and to bear responsibility for their efficient use;

—the directives handed down and the rights and responsibilities of cost-accounting entities must enable them to operate on a self-repayment basis and thus ensure a profit-making economy;

—the creation of such a system of material incentives and material responsibility which would ensure the economical functioning of the entity.

The concrete forms of cost-accounting may differ

but its logic is objective in nature. The degree of stimulation depends on the scale of independence. The greater the independence, the higher must be the efficiency of stimuli and responsibility.

The scale of independence is correlated with the nature of the production unit (the introduction of big associations provides the prerequisites for greater independence), the type of scientific and technological progress, the consumer demand, etc.

The higher the effect of the basic economic law of socialism which is aimed at satisfying the requirements of the people, the more the principle of distribution according to work is applied which affects the scale and nature of demand, the greater is the necessity of developing the economic independence of the basic production units. The cost-accounting principle which corresponds to these conditions is known as *complete* cost-accounting.

Lenin stressed that the initiative and activity of all economic elements were essential for a planned and centralised socialist economy. One of the forms and methods of realising this activity is *socialist emulation,* which replaces the antagonistic competition of private enterprises. Lenin wrote: "Far from extinguishing competition, socialism, on the contrary, for the first time creates the opportunity for employing it on a really *wide* and on a really *mass* scale, for actually drawing the majority of working people into a field of labour in which they can display their abilities, develop the capacities, and reveal those talents, so abundant among the people whom capitalism crushed, suppressed and strangled in thousan ds and millions."[1]

[1] V. I. Lenin, "How to Organise Competition?", *Collected Works,* Vol. 26, 1972, p. 404.

Competition means that within the framework of common goals and tasks, within the framework of general principles, alternatives are sought for the solution of standard and mostly similar tasks of a production, technological, organisational and economic nature. Competition means a comparison of these alternatives and the selection of the best and most efficient ones that correspond to the criteria of progressive development of any sphere of occupation. And last but not least: within a planned economy competition transforms the best alternative into one that is known to all, available to all, and obligatory to all as a standard.

Competition is aimed at providing the best opportunities for the working people, for every work collective, to display their initiative, their creative potentials, their independence in building socialism. This is not only economically important, but also has great socio-political significance. Competition is an efficient and easily available form of participation of the masses in the solution of national tasks. Competition develops in the workers the sense of being the master, alters their attitude towards labour, creates the basis for a new kind of discipline—one that is recognised by the working people and initiated by them.

3. Methods of Leadership and Application of Management Methods

The methods of influencing a work collective, organisation or organ of management are effective only when they reach out to every individual worker. This task is solved by the second group of methods of management—the methods of leadership.

Methods of leadership. The methods of leadership boil down to ways and means of influencing the administration and workers and they are called upon to ensure the realisation of decisions.

The methods of leadership vary over a wide range. They may be grouped: methods of organisational influence, methods of material incentives, methods of social and moral influence.

The methods of *organisational* influence are backed by the power of the manager, his authority, by discipline and administrative responsibility.

Organisational influence is classified as single (acts) and standard (norms). An act is an order, instruction or direction. A norm is also an act of influence but on a group of concrete situations. If an act provides for a single action, a norm provides for repeated action whenever the situation is the same. Norms relieve the administration of the necessity of issuing a large number of orders.

Norms may be obligatory, prohibitive, authoritative, recommending, etc. An act outlines the subject (what to do), who is to perform the work, the time factor and the method of reporting. Sometimes the sequence of action is also given.

The formulation of the organisational influence is very important. It must be clear-cut and comprehensible to the executor. It is necessary to clearly outline the task set and the powers, rights and resources made available. The powers may be provided by virtue of the person's post and ensuing rights, but sometimes additional instructions are required. It is also essential to outline the result expected and the responsibility borne in general and in the given case.

Organisational influence incorporates instructions, clarifications, persuasion, and training. It also includes mention of the form of contact with the subordinates during the execution and also the form of reporting and the time for it.

The final stage in organisational influence lies in control and summing up. The manager should always register fulfilment of an assignment because otherwise this has a bad effect on the executor.

The method of material incentives also takes on various forms. First of all, it is employment itself. Socialism guarantees the right to employment and thus influences the activity of the workers. Second, it is the remuneration, both in terms of the permanent payment and its variable part. Third, through benefits from the social consumption funds—direct and indirect, cash and in kind. The basic principle under socialism is payment for labour, since distribution according to work constitutes a major distinctive feature of socialism from communism.

The permanent part of the earnings—the wages—constitutes the general stimulating situation. This part of the earnings is mostly responsible for the worker's attitude to his job, to his organisation, and, subsequently, to the entire range of organisational influence. The variable part of the earnings (bonuses, various fringe benefits, etc.) constitutes the means of current influence on the worker and acts as an amplifier of the organisational methods.

There are also methods of *social* influence which are widely practised. They may be subdivided into:

—socio-political methods;

—socio-psychological methods.

The socio-political methods rely on the political

ideals of the given person, his social norms, civic feelings, ideological principles, patriotism, internationalism, etc. The socio-political methods give priority to self-criticism, agitation, criticism and propaganda and social models. These methods are closely interrelated with the development of public opinion and moods and social consciousness.

The socio-psychological methods incorporate methods of psychological and moral influence on the individual worker on the basis of his psychological type and also methods based on the psychology and specific features of work groups, including the informal relations between them. Commendation, information, reprimands and other moral factors have great influence on the workers.

Methods of informal relations hold great prominence among the methods of group psychology influence. Apart from the official, in-service relations, the workers develop various informal relationships based on sex, age, nationality, interests, etc. Within these relations the social roles of the workers differ from those of their official stand. Successful leadership demands proper consideration for all these informal relations and their mobilisation for attaining the goals of management.

It is equally important to resort to the methods of creating a favourable psychological climate in the work collective, the methods of overcoming personal conflicts, etc.

Modern sociology and psychology have accumulated a rich arsenal of ways and means of influencing human behaviour. These recommendations must be skilfully applied in managerial activities.

Social planning, planning of the social develop-

ment of work collectives and all the workers hold a special place. These social development plans integrate various social factors.

Application of methods of management. Methods of management are integrated in their very nature. One and the same method may be related to various groups on the basis of dominating features. But in fact, each method incorporates various aspects.

Take, for instance, pricing. This method meets the requirements of the law of value, but not only that law alone. Prices may meet the requirements of other economic laws as well—the law of distribution according to work, or the law of planned and proportionate development. Prices are the focal point for economic and political problems and they are affected by foreign policy, defense interests, national policy interests, etc.

In terms of direction prices are also many-sided. Pricing is primarily a method of economic and material influence, but it also affects social motives. Prices established by the state contain in themselves an element of compulsion.

In terms of organisational form prices also differ: there are firm prices, price brackets, agreed prices between enterprises, etc.

Prices constitute a direct and indirect factor, a factor of current and strategic influence. In deciding the problem of price stability and who is to establish prices, we proceed from the requirements of economic and other laws and take into account the advantages and disadvantages of various organisational forms of pricing. For this reason it would be wrong to treat prices as a method of management which corresponds to the requirements of economic laws only.

At the present stage of economic development, planning is scientifically substantiated only when it takes into account value categories and makes full use of cost-accounting leverage. The alternative is fraught with the danger of administration by mere injunction. Meanwhile, the cost-accounting principle in a planned economy is not an end in itself, but a means of raising the efficiency of centralised planning.

The requirements of economic laws may be met through the methods of motivation of all three groups. On the other hand, any concrete method of motivation (e.g., material incentives) meets the requirements of laws of economics, human psychology and engineering development. It is therefore essential to bear in mind various characteristics of the methods of management: one describes its content, another—its direction, while a third—its organisational form.

In order to apply the methods of management successfully, to raise their efficiency, it is essential to study the objective laws inherent in socialist production, to analyse their mechanism, to seek ways and means of fully realising these objective laws through the methods of management.

The comprehensive nature of the methods of management is a factor complicating their application and calls for due consideration of the following:

—the specific features in the application of a given method;

—the specific features in the application of the entire range of methods.

In applying a single method it is necessary to be aware of:

—the positive and negative aspects of the given method;

—the fact that the negative aspects have a cumulative effect, that people get accustomed to a given method and its influence gradually diminishes.

The application of any one method leads to its gradual depreciation and exhaustion. In some cases the method may develop into its own antipode. Take, for instance, the example of material incentives. As the workers accumulate material wealth, they may, in the future, display reduced interest in material influence. The repeated use of social promises may also result in a confidence crisis with regard to this powerful method of influence.

The problem of applying methods of management is all the more complicated when viewed in terms of the end result. Here we have to take into consideration the following factors:

—the nature of the object of influence, its development, and the arising situation;

—the hierarchy of methods and their interaction.

Methods of management are directed not at some kind of averaged and abstract workers, but at human individuals. Here we run up against the proverbial situation of one man's meat is another man's poison. Indeed, younger workers are more interested in prospects and opportunities to make a career. The elder generation prefers immediate results which crown their efforts of many years. Also important is the sex composition of the work collective, the nationality of the workers, their traditions, etc. The time factor is also very important. If there is enough time—one method is good, if time is running out—another method should be applied.

There are other important aspects to the application of methods of management: whether they are

centralised or decentralised; whether they are applied to remedy a result or to prevent it; whether they interfere actively into the course of events or envisage some temporisation.

Contact between the superior and the subordinate is of substantial importance in applying a method of management. In principle, a manager bears full responsibility for the actions of his subordinates. If the manager clearly outlines the range of duties, rights and responsibilities of his subordinates, his personal responsibility is different from that when his subordinates perform merely executive functions. It is also necessary to take into account whether the manager had been given the right to select personnel. The fact that a subordinate was under orders does not relieve him of responsibility for his actions. The executors are fully responsible for their actions although consideration is given to the concrete situation: whether the person concerned was taking the initiative or acting under orders.

In order to prevent a "responsibility scare" on the part of his subordinates, the manager takes responsibility upon himself when called up before his superiors. However, the manager makes it a point to tell his subordinate about the errors made and ways and means of overcoming them.

The transition from one method of management to another is now current practice. For instance, organisational, administrative and social methods of influence must be backed up by material incentives to maintain the efficiency of the former. It has also been noticed that as the workers satisfy their basic material requirements, they display an increasing response to social and moral methods of influence.

There is nothing like "pure" motivating influences in practice. Satisfaction of material requirements provides the basis for social motivation. Influences based on political interests are sound because they constitute concentrated expression of material interests.

The application of methods of management is also based on the compensation of shortcomings of one method by the advantages of another method so as to ensure greater efficiency.

On the whole, the application of methods of management is an art which depends on the talent of the manager, on the way he takes into consideration the objective or subjective aspects of production.

In selecting methods of management there must always be a correlation between the goals and methods of management. The socialist society has rejected the bourgeois morale of "money only". Socialism accepts only those methods of management which correspond to the lofty ideals of building communism. It is not any kind of profit, not any kind of incentive, not any kind of compulsion, and not any kind of initiative that are tolerated in socialist management.

Improvement of methods of management is focused on ensuring higher labour productivity, accelerating technological progress, raising efficiency of social production and raising the living standards of the people.

CHAPTER SIX

STRUCTURE AND ORGANS OF MANAGEMENT

1. Structure of Management

Concept of structure. The structure is an all-important element in describing a system of management. The structure is a form of organisational arrangement of the managerial system, the subject of management. The structure is characterised by the integrity and, simultaneously, the division of the whole into parts. The structure incorporates elements, relationships and hierarchies.

A cell (organ) is a relatively independent element of the structure. The sum total of cells forms a structure. Several workers or even an individual worker can come out as an organ of structure. A work collective may have subdivisions.

Relationships constitute another characteristic of structure. The organs of structure are related both formally and informally. The formal relations are along the vertical line: management and subordination. Several organs may be subordinated to a higher-level organ.

Within these relations we identify relations based on the type of management and subordination. If the management is absolute and covers all aspects of

activity of the subordinated organ, such relations are classified as linear. If the management is limited to a specific range of problems, such relations are classified as functional.

Besides vertical formal relations, there also exist horizontal relations of cooperation and coordination.

Formal relations based on power dominate the structure of management. However, this does not mean that informal relations are not important. For instance, along with stable formal ties there develop over the years informal relations of organs of management. These informal relations can either boost the formal relations or undermine them. It is widely known about the beneficial aspects of traditional and direct ties between suppliers and consumers of goods, between research and production organisations, between scientific and educational establishments. It is also a fact that the existence of family dynasties (when several generations of one family work at one and the same enterprise) facilitates better operation of production. But it is also a fact that such informal relations as nepotism and clannishness are extremely harmful. There is no way of ignoring informal relations and the only thing to be done is to mitigate their negative influence and accentuate their beneficial aspects.

Hierarchy means a system of organs of structure maintaining formal and informal relations and arranged in vertical and horizontal planes. A hierarchy is made up of a summit, base and intermediate levels. The summit is an organ which is not subordinated to anyone and has all the other organs subordinated to it. The base of the hierarchy is made up of organs having no subordinates. The level of

hierarchy is an entity of similar organs subordinated to one higher organ of the superior level.

Factors and principles affecting the structure of management. The structure of management is exposed to the influence of external factors (factor) and internal factors (principles). The structure of management is influenced by factors related to production as the object of management and to management as such.

The structure of management must always correspond to the object of management—to the technical, technological, organisational, economic, and social aspects of production. The complexity of the structure must correspond to the complexity of the object and the dynamics of the structure—to the dynamics of the object.

The goals and functions of management are among the external influencing factors. The structure must be so arranged as to ensure the achievement of managerial goals. The structure, furthermore, must ensure the realisation of all the functions of management.

The structure of management is directly exposed to the influence of functions connected with management of production, its scale, its industrial and territorial structure, the number of primary production elements. For instance, a branch of production comprising thousands of small enterprises and spread over a vast territory requires a structure of management that differs from that which is applicable to a big-scale concentrated production unit.

The structure of management is also affected by the methods of management. Predominately administrative methods require one structure, while economic

methods are better suited to other structures. For instance, in the case of administrative methods of management the existence of two chiefs within one body leads to almost insoluble problems and difficulties. In the case of economic methods of management one body may be exposed to the influence of several bodies simultaneously, inasmuch as the scope of economic resources, sanctions and profits automatically determines influence priorities.

There is a number of external factors which themselves depend on the structure, e. g., the personnel or management or the automated system of management. However, these elements in turn influence the structure. In particular, qualified workers make it possible to simplify the structure of management. They ensure a wider scope of management and fewer instances when it is necessary to contact higher bodies. It must be borne in mind that the factors which shape the structure are themselves subject to constant change. A structure that had been functioning successfully can fail in new conditions that are created as a result of the activity of the structure itself.

It is essential to see to it that each goal and each function have their own "master" within the framework of the structure. A vacuum, i.e., a situation when some of the functions or goals are not identified in the structure, spells danger. It is equally dangerous to be overorganised, when there exist excessive structural elements without any functions or goals of management. Duplication and diffusion are as harmful. Duplication means that several structural cells hold responsibility for one and the same function. Diffusion means such a distribution of goals and

functions among the structural cells which makes it difficult to identify who is responsible for what.

The structure of management is also exposed to the influence of the objective principles of the structure itself. The first principle of structure formation is that of unified management. Each body must have one administrator or there must be one responsible chief for each aspect. Unified management may be based either on one-man or collective leadership.

The second principle related to unified management is the principle of managerial scale. The scale of management is characterised by the maximum possible number of bodies of a given level that can be effectively managed by one body of a higher level. The scale of management depends on the complexity of ties between bodies, the complexity of managerial tasks, the availability of channels for the transfer of information, etc. It is currently believed that in the case of a simple managerial ties the scale of management may vary from 10 to 30 In the case of very complicated managerial tasks one body may operate management of between 5 and 10 subordinated bodies.

Limitations in the scale of management lead to the appearance of another principle: centralisation and decentralisation, delegation of commission. This principle means the maximum possible transfer of duties from the higher body to the subordinated bodies. The fuller a given cell delegates its commission, the more opportunitites it has to concentrate on general leadership, coordination, control—i.e., on those aspects which none of the subordinated cells can be made to do. Delegation of the commission must be full: the del-

egation embraces the rights, duties, responsibilities and resources.

There are also other principles for forming the structure of management.

Types of structures of management. Three basic types of structures may be identified depending on the type of relations between the bodies of the managerial structure: linear, functional, combined.

The *linear* structures are the simplest. On the basis of the scale of management, each group of bodies of one level has a higher body on a higher level. The group of bodies of the second level has a higher cell on the third level, etc.

The structure takes the form of a triangle:

$$\begin{array}{ccccccccccc} & & & & C & & & & & & \\ & & B_1 & & & & B_2 & & & & B_3 & \\ A_1 & & A_1 & A_1 & & A_2 & A_2 & A_2 & A_3 & A_3 & A_3 \end{array}$$

This form of structure existed already in the first production organisations.

Within the linear structure of management all problems of management are resolved through one channel. There is exceptional clarity and it is always known who the chief is and who the subordinate. As long as the instructions and the problems solved are relatively simple, the linear structure is very efficient.

The linear structures, however, have serious problems arising from their very nature. First, the higher body has to be competent along the entire range of problems, since the subordinates can appeal to no one else. Second, in view of the limited scale of management, the growth in the number of bodies of one level leads to an even greater increase in the number of levels of management. Here, the rule of

the pyramid comes into effect. In the diagram given (where the scale of management is equal to 3), doubling the number of bodies of the A type would necessitate not only three more bodies of the *B* type, but also one more body of the *C* type. As a result, in order to maintain the unity of the system, the two *C* bodies must have a *D* body of the new level on top of them.

A linear structure makes it difficult to realise coordination. In order to coordinate the activity of two neighbouring cells A_1 and A_2 which are subordinated to two different higher-level cells B_1 and B_2, the problem has to be resolved at the *C* level. Even the simplest coordination requires much time and effort. This means that linear structures are clear-cut but inflexible. The growing complexity of managerial tasks makes it difficult to use linear structures.

Functional structures proceed from the idea of specialising *B* level bodies. Each *B* cell deals with only a few aspects and not with the entire range of problems. There is a functional division of labour between *B* cells. For example B_1 deals with planning, B_2—with technology and engineering, B_3 supplies and sales. This means that the A_1 cell has a *B* level superior for every group of problems: B_1, B_2, and B_3.

Due to the limited competence of each *B* cell, it has to employ specialists for a given range of problems and this radically improves the quality of decisions taken by the specialised body. The existence of several superiors for one subordinated body entails certain difficulties in management. Here we have, what is called, the functional ailment. An executor always has a chance to sidetrack an assignment by one superior under the pretext of preoccupation with an as-

signment received from another superior. As the number of functional bodies grows this danger becomes increasingly ominous. It is also increasingly difficult for *C* level superiors to coordinate the activity of the growing number of functional services of the *B* level.

Combined structures provide a way out of the difficulties inherent in linear and functional structures. Combined structures absorb the advantages of both structures. The simplest combined structure is *linear-centralised*. It is based on the linear structure, but under each superior at the *B* and *C* levels there is a centre—a body comprising specialists in various aspects of management. Thanks to its centre the *B* organ can deal with a higher degree of competence with the problems of the *A* and *C* level cells. At the same time there remains unity of leadership—*B* and *C* level superiors are intermediaries in contacts between the subordinates and the centres.

When a centre becomes too big or when there are too many diversified contacts, the superior simply lacks the facility to organise contacts between the centres and the subordinates in reasonable time. Under these circumstances there has developed a new type of combined structure—the structure of *limited functionalism*. Its main feature is that a centre (for instance the centre of B_1) has the right to operate cell A_1 without referring to the B_1 cell as a coordinating element. In order to prevent the functional ailment there is a detailed list of aspects within which the centre can directly operate the subordinated cells. For instance, it is outlined in which cases the accountants of the higher body can contact the accountants of the subordinated body without referring the matter to the linear chiefs of both levels.

Various alternatives of the system of limited functionalism currently dominate the structures of management.

The formation of a practical structure of management is a creative process. It may be facilitated by using standard and scientifically substantiated structural recommendations. Such standard structures of management are developed for enterprises and associations depending on their size and composition. There are also standard structures for territorial and sectoral bodies which have developed on the basis of practical experience.

*Structures in production management.*The structure is the backbone of the system of management and holds the "muscles": the procedures, personnel, etc. That is why structures play such a big role within the system of management. The drawbacks of a structure may be compensated by methods of management, the personnel qualification, the engineering facilities applied in management, but only on a limited scale.

Improvement of structure constitutes an important potential for improving management. Structural reorganisation is something that should be undertaken when there is good reason for it because any reorganisation of the structure is painful and demands considerable expenses. An existing structure has the advantage of being operational, known to the workers and based to a considerable extent on informal relations and traditions. The advantages of any new structure are hypothetical and require time for their verification.

There was a time when overall importance was attached to structure in both the theory and practice of management. This was followed by a period when

focus was shifted to the problem of personnel, the engineering facilities of management (electronic computers, automated control systems), methods of economic management.

Nowadays, preference is given to a balanced approach to structure. The principle is that structure constitutes the backbone of the system of management. It does not reject or substitute other elements of the system and is effective only when all the other elements of the system of management are operational.

2. *Bodies of Management*

Concept of body of management. A body of management is a cell of managerial structure that is isolated by virtue of its nature and functions.

Every body has its *competence* which defines the range of problems to be handled by this body. Competence means the overall functions of the body, its commission and responsibility.

The *functions* of the body are defined by the part of the functions of management which are handed over to it. The functions of the body are backed by the functions of management itself. These functions are systematised and constitute the basis of the management body. Each body of management has a clearly defined specialisation. In order to fulfil its tasks the body must possess a commission corresponding to these tasks. Finally, a body is obliged to fulfil its functions and bear responsibility for its actions. For this reason, competence incorporates a clearly defined *responsibility* of the management body.

The functions of the management body, in their turn, determine the structural divisions of the body. The sum total of structural unit of the body comprises its staff. All the structural divisions of the management body may be classified in five principal groups (subdivisions): major project-based; basic managerial; intersectoral; servicing; leadership.

First, each management body must have a division in charge of the major objects of management. They perform the function of linear leadership with regard to the subordinated bodies and objects. The major project-based subdivisions distribute among themselves the subordinated objects. The main problem here is not to exceed the scale of management, on the one hand, and to avoid creating dwarf divisions operating a small number of objects, on the other.

Second, each management body incorporates basic managerial structural divisions (planning, accounting, control). They realise functional management with regard to the subordinated bodies and the basic divisions of the given body.

Third, the management body has a group of divisions which deal with intersectoral economic functions: supplies, sales, capital construction, scientific and technological progress, labour, personnel, finances, etc.

Fourth, each management body has auxiliary and servicing divisions: the office, the archives, etc.

And finally, each management body has a leadership: the manager, his deputies, various managerial divisions of the body (board, presidium, etc.).

Legal regulation of managerial body. The creation and functioning of a management body calls for a clear-cut organisation. The juridical and legal as-

pects are of paramount importance. It is legislation that defines under what circumstances and under the decision of which body the given body is set up. The law defines the conditions for the formation of a body —the circumstances which mark the beginning and termination of the process of formation of the given body.

The competence of a body is also defined by legislative acts—the Constitution (Fundamental Law), codes, laws, instructions, regulations. There is individual competence (established for each given management body), standard competence (established for all bodies of the given type), and mixed competence.

The competence of a body must be correlated with the competence of other bodies, particularly superior and subordinated ones, and also with all other bodies with which it will maintain relations.

The distribution of functions among the structural divisions of the management body is defined by the regulations on the structural divisions. The regulation concerning each structural division must clearly define the sections which list the tasks and functions of the division, its rights, operational organisation, links and responsibility. The regulation must also identify the place of the division within the management body, its immediate superiors, the purpose of its organisation, the direction and goals. The regulation also outlines the internal structure of the division, including the list of available posts. This list is the basis for a transition from structure to managerial staff.

Classification of management bodies. Management of socialist production incorporates a wide range of bodies and their classification is essential. The bodies

differ, first and foremost, in terms of the nature of the subject of management. From this point of view we may identify party, government and non-government bodies.

Within the system of state bodies there are representative bodies (bodies of state authority), executive-administrative bodies (bodies of state administration), and bodies of control and supervision (control bodies, judicial and arbitration bodies, agencies of the Procurator's Office).

In accordance with the administrative and territorial division of the USSR there are central and local bodies (bodies of administration of territories, regions, districts, cities, city districts, settlements, villages). Under the existing state system in the USSR there are bodies of the USSR, bodies of the Union republics, bodies of autonomous republics, regions and areas.

In terms of competence there are bodies of general competence which direct the execution of all or many functions of management on the scale of the country or a given territory, and bodies of special competence. The latter include sectoral bodies which are responsible for the management of a given sector of production, and functional bodies which are responsible for one or another function of management.

Bodies may be elected, formed or appointed. There are bodies which are set up by representative bodies of management (the Soviets), and bodies which are set up by other bodies of management.

The management bodies of primary production units—enterprises and associations—hold a special place within the system of economic management bodies.

On the basis of the form of activity bodies may have collective or one-man management. The principle of collective leadership is a feature of the bodies of general competence and part of the functional bodies. One-man management is applied to sectoral bodies and management bodies of basic production units.

Let us examine in brief the system of economic management bodies.

System of economic management bodies. Under the Constitution of the USSR the leading and guiding force of Soviet society is the Communist Party of the Soviet Union. The country's national economy is directed by:

—congresses and conferences of the CPSU, plenary meetings of the Party's Central Committee, the Politbureau and Secretariat of the CPSU Central Committee, the staff of the CPSU Central Committee;

—similar organs of the Communist Parties of the Union republics;

—territorial, regional, district, city party organs;

—primary party organisations.

Party congresses and plenary meetings of its Central Committee examine and decide on crucial problems of management, elaborate goals and directions for development. The Central Committee, the Politbureau and the Secretariat of the Central Committee constantly discuss issues dealing with management of the economy, organise and control the work of other party organs and higher state bodies.

Party organs of republics and territories are directly responsible for organisational work in management of economic development.

According to the CPSU Rules, the primary party

organisations are vested with extensive duties within the sphere of management which give them the right to control the activity of the administration at enterprises and organisations and also to control the operation of the staff of management bodies.

Trade union bodies and bodies of agricultural and other cooperatives are important *social* bodies. Their rights are also guaranteed by the Constitution.

The highest bodies of state authority (the central representative bodies) realise management of the entire national economy of the USSR. In the Soviet Union, these are the Supreme Soviet of the USSR (the parliament) and its two chambers (the Soviet of the Union and the Soviet of Nationalities), the standing commissions of these two chambers (budget and planning, by sectors of the national economy, etc.), the Presidium of the USSR Supreme Soviet which realises management during the period between sessions of the Supreme Soviet, the staff of the Presidium.

Legislation is the basic function of the highest bodies of state authority and it defines the main aspects of management. Laws on state plans for economic and social development, on the state budget hold prominence in legislation. Another aspect in the activities of the highest bodies of state authority is the formation of the government, the court, the Procurator's Office and highest bodies of people's control. Another aspect in the activities of the highest bodies of state authority is control of all social issues and all bodies of management.

The *government* is the highest executive and administrative body. In the USSR there is a special law on the USSR Council of Ministers, which defines the

competence and operation of the government on the basis of the Constitution.

The government directs the development of the country's national economy and focusses attention on the development and realisation of state plans. The government directs the management bodies of national economy sectors—the ministries, and also the central functional bodies of management—the state committees of the USSR.

There is the State Arbitration under the USSR government which resolves economic disputes between the management bodies.

All the Chairmen of the Councils of Ministers of the Union Republics are members of the USSR government, the Council of Ministers of the USSR. The Chairman of the Council of Ministers, his First Vice-Chairmen and Vice-Chairmen make up the Presidium which sits regularly, while the Council of Ministers meets in session at least once every three months.

The *central functional bodies* (USSR state committees) realise functional management of the country's national economy in such spheres as planning, science and technology, supplies, standardisation, finances, prices, labour, etc.

The bodies are not monopolists within their sphere of managerial activity and these spheres are also within the competence of all bodies. For this reason, production organisations are not subordinated to the central functional bodies. However, these bodies can set up research and other centres which facilitate the solution of tasks facing the functional bodies.

The decisions adopted by the central functional bodies are obligatory for all the other bodies, and here

we have the situation of "extra-sectoral" authority of the functional bodies. All these bodies function under the direct guidance of the government and form, what could be termed as, the "economic headquarters" of the government. The heads of the main functional bodies (planning, supplies, science and technology, etc.) often hold the post of Vice-Chairman of the Council of Ministers.

The central functional bodies (committees) operate on a collective leadership. They are made up of members of the committee under a chairman. The central functional bodies may be only on the level of the USSR, on the level of the USSR and the Union republics, and on the level of the Union republics alone. The internal structure of the central functional bodies depends on their function. The State Planning Committee of the USSR, for example, has divisions of planning for groups of national economic sectors, territorial planning, summarised balanced planning, etc.

The *central bodies of sectoral management* (ministries) direct the functioning of various branches of industry, transport, agriculture, and so on. In view of the scale of the country and the specific features of the sectors of the economy the bodies of sectoral management in the USSR are all-Union ministries, Union-republican ministries, and republican ministries. National sectors of the economy which provide the technological basis for other branches are managed by all-Union bodies (all-Union ministries). The mining, extractive and primary processing industries are run by all-Union ministries and identical ministries in the republics concerned. There are branches of the national economy which service the population

of one republic and are managed by the ministries of the given republic.

The sectoral bodies of management perform the function of sectoral management. These bodies are under one-man management (the minister) who carries full responsibility for the functioning of the sectoral body. The board, which is set up under the minister, is a consultative agency of this management body.

The body of sectoral management has structural divisions in the form of chief departments and departments: planning and economics, finances, job managements and wages, capital construction, technology, production, supplies, personnel, etc.

Middle sectoral management. This is the level of Union or republican industrial associations.They realise management of sub-sectors of industry and are subordinated to their respective ministry. The industrial associations maintain an independent management body and a board of directors which is made up of the leadership of the association and the managers of the enterprises incorporated into the association.

Most of the industrial association managements have such functional departments as planning and economics, technology, finances, production, supplies and sales, accounting, etc.

The middle sectoral management bodies may be of different types depending on the sphere of activity of the ministry (transport, agriculture, construction, etc.).

The bodies of *regional* management are the local bodies of state authority (the executive committees of the Soviets) and their subordinated local regional

sectoral and local functional bodies. The local sectoral bodies manage those enterprises of the industries which are locally subordinated. The sectoral management divisions of the regional bodies operate the local food and fuel branches of industry, automobile transport, etc. Depending on the size of the territory concerned and the level of development of one or another branch of the economy, the executive committees of the local Soviets have functional structural divisions: planning, finances, statistics, etc. Since a number of local sectors of the economy are managed by sectoral ministries of the republic, the enterprises within the given territory have dual subordination: they are subordinated to the local sectoral regional body and to the sectoral body on the level of the republic. All the functional divisions of the regional bodies also have dual subordination. For instance, the planning regional commission is subordinated to the local body of state authority that had formed it, but at the same time it is subordinated to the higher functional planning body.

The range of duties of regional bodies is defined by three functions of regional management: social activities, regional production activities, integrated development of the entire economy of the given region. The accent is laid on raising the living standards of the people, ensuring environmental control, integrated utilisation of resources, development of the power, transport and other regional production infrastructure, all this boosts the role played by the regional bodies.

The management body of the *basic production unit* (enterprise or production association) follows the general pattern of organisation and covers five funda-

mental services: technological (scientific and technological development), production (direction of production proper), commercial (supplies and sales), economic (planning, finances, etc.), auxiliary (personnel, administrative-economy). In a number of cases there is a special capital construction service.

The subdivisions, managers of enterprises, buildings, and shops are occupied primarily with current management of production, job management, etc. Within the production divisions there may be any degree of centralisation of the functional services: from relatively independent branches with the entire range of managerial services to complete centralisation of all functional services, leaving only line management in the shops and industries.

3. Selective-Programme Management

New types of managerial structures. The structure of limited functionalism has overcome many of the shortcomings of the linear-centralised structure. It has developed a big number of ties and their volume has grown. For instance, the planning commission of a region maintains contacts not only with the regional executive committees, but also with the planning body of the republic, with the executive committees of administrative districts, with the planning commissions of these district executive committees, with the planning departments of sectoral bodies, etc. In this diversity of contacts it is often difficult to ensure realisation of principal functions and the solution of the main tasks.

The so-called selective-programme structures are

set up with the purpose of focussing attention on the main tasks and goals. These structures retain all the existing bodies but add bodies of a new type—the selective-programme bodies.

Basically, these are a special type of linear bodies but concentrated on the solution of one concrete task. The linear bodies, as it were, isolate the concrete task from the general range of their problems and appoint a curator. The selective-programme bodies contact all other linear and functional bodies within the framework of problems relevant to the solution of the given task. The activity of the selective-programme body is superimposed, as it were, on the existing structure. Inasmuch as any task, big as it may be, is local in terms of time and space, the selective-programme bodies are temporary.

There is a great diversity of bodies of this type and they depend on two factors. The first one is the nature of the goal for the realisation of which the body had been set up. The second factor is the rights and authority with regard to the bodies of the existing structure.

The *management by object* constitutes a body which supervises the solution of all problems related to the given task within the managerial structure. The task may be in the form of any product, any activity, any technology, etc.

The *management by project* is similar to management by object in terms of ultimate goals but has a different range of rights. This selective-programme body not only controls the solution of a problem and reports back to the management body which set it up, but also has certain rights to interfere in the course of events.

The alternatives of the management by project vary depending on the range of these rights and nature of activities. The rights may be administratively negative (the right to curtail something), administratively directive (the right to issue instructions). A functioning body of management by project as a rule has material and financial resources. Bodies of the selective-programme type, however, rarely have the right to select and appoint personnel.

The so-called *matrix* structure are one of the variations of the selective-programme structures. They envisage management bodies of the programme type for each problem. This means that a whole system of selective-programme bodies is superimposed on the existing structure of management.

Within a matrix structure each linear and functional division of the basic structure interacts simultaneously with several programme bodies. In order to ensure proper coordination the linear and functional bodies set aside special divisions (groups of workers) who specialise in problems relating to one or another object (project). While remaining on the staff of their respective bodies, these workers are under temporary subordination, as it were, to the selective-programme body. Here the programme principle is applied to the full but it is also here that it is most difficult to ensure well coordinated work.

Commissions and committees (both standing and temporary) are a special alternative of selective-programme structures. They are set up with the purpose of coordinating the horizontal ties of either equal or very different bodies. These commissions and committees are very efficient in bringing together the efforts of sectoral and regional bodies, party, govern-

ment and non-government bodies. It happens that the commissions and committees are set up with the purpose of coping with one clearly defined task, and in this case their selective-programme nature is very clearly illustrated.

The structure of selective-programme management complicates the managerial structure, but the advantages in improving the system of management justify this complication.

Development of selective-programme management. On the whole, the existing system of management bodies (general competence, sectoral, functional, regional) corresponds to the structure and functions of management of social production under socialism. In the course of building socialism in the country there increased the number of problems which could not be fitted fully within the sphere of competence of existing bodies of management. As long as these problems cropped up from time to time, there were three basic methods of their solution in terms of managerial structure.

Under the first method a programme for solving the problem was developed and approved and used for a number of years by all the bodies which had any connection with the problem. A typical example of such an approach was the programme for reducing the ratio of manual labour during the last few five-year plan periods, or the programme for overcoming the economic backwardness of a number of national regions of the USSR in the thirties. In these cases the programme was a general course to be followed by all.

The second method provided for a concrete programme (plan) for the solution of the problem in

general and practical assignments to existing bodies of management. A typical example of this approach was the management of large-scale virgin and fallow land development projects in the fifties.

The third method envisaged the creation of special bodies of management for the realisation of adopted programmes. One such programme was space exploration with the help of the first artificial satellites.

All three methods are applied nowadays, but increasing importance is attached to the third method and the creation of special selective-programme bodies.

The realisation of the Soviet Union's Food Programme required the creation of a system of bodies for managing the agro-industrial complex: from the Commission of the Presidium of the USSR Council of Ministers led by the Vice-Chairman of the country's Council of Ministers down to district agro-industrial associations. The district Soviet of People's Deputies sets up a special council to run the agro-industrial association. On this council are the managers of all the independent organisations incorporated into the association. Day-by-day operation of the agro-industrial association is conducted by the district agricultural department.

In managerial practice there are examples of other types of bodies for selective-programme management.

For instance, a special committee directed the holding of the 1980 Olympics in Moscow. A special body has been set up under the Council of Ministers of the Russian Federation to coordinate the Non-Black Earth Zone Development Programme.

Selective-programme type bodies are set up for the realisation of various scientific and technological

programmes. Within the sectoral bodies of management, even on the level of production associations and enterprises, there sometimes crop up problems whose solution requires selective-programme bodies of management.

Sometimes, the functions of selective-programme bodies are given over to an existing management body. For instance, a sectoral ministry may be made the leading organisation for the development of a certain new type of machine. In this case the ministry begins to influence other bodies participating in the programme not in the capacity of ministry, but in the capacity of body of management of the programme.

The increasing complexity of tasks facing management (e. g. appearance of a considerable number of integrated problems which cannot be assigned to any one management body, the necessity of accelerating the solution of large-scale tasks, the complexity and duration of traditional forms of relations between management bodies) raises the significance of selective-programme structures and management bodies.

On the other hand, increasing the number of programmes, let alone the number of management bodies, is feasible only to a certain extent. As long as the programmes are few in number, there are priorities in their realisation. But as these programmes account for an increasing share in overall activity, they boil down to the usual pattern of work—both in terms of resources and schedules. This means that the advantages of the selective-programme approach are lost, while there remain the difficulties entailed in additional management bodies and procedures.

The selective programmes are a means of priority treatment of the most important problems. This new type of managerial structure imparts greater flexibility, dynamism and power to a structure of management, facilitates active realisation of large problems facing the economy of developed socialism and the scientific and technological revolution.

CHAPTER SEVEN

MANAGERIAL PERSONNEL

1. Personnel Management

Personnel within the system of planned management. A system of management begins to function properly only when its structural elements develop into work collectives of management bodies. Without personnel any management is but a scrap of paper. In this sense selection of managerial personnel is the crucial and primary element in forming a system of management. Modern management is based on its system of workers.

Management employs the best of the people—those who can apply their professional and political skills, knowledge and experience to organise the working people for the solution of economic tasks, to direct the working people.

Increasing importance is attached to managerial personnel under present conditions. This is due to the necessity of dealing with complicated tasks arising from a higher level of efficiency and planning in social production. Managerial leaders display increasing preference to the scientific approach in solving economic problems. They are also responsible for the organisation of labour cooperation on a national scale, for the full, integrated and purposeful utilisation of the objective laws in the interests of society, of the growing economic potentials of developed socialism, of the advantages of the planned system in national

economic management. The growing role of the subjective factor does not eliminate the primary and decisive importance of the objective laws.

With labour division in management and its specialisation there develops a relative isolation of different types of managerial activity. The functional role identifies leaders, specialists and support personnel in the process of management.

The managers are the decision-makers on all issues of development of production and the functioning of the managerial personnel. The specialists participate in drawing up decisions and in their realisation. These are highly-qualified workers fully competent in one or another field of management. The operating or support personnel provides the information servicing of the managerial personnel (data organisation, storing and transfer). There are also manual labourers on the staff of the system of management (plumbers, janitors, etc.), but these are not managerial personnel.

There are two types of managers—line and functional—which depend on the type of establishment they are in charge of. If the body or its part performs the entire range of managerial functions in a shop, enterprise, association, region or sector of the economy, the manager is a line leader of the general type. However, if the service or body deals with only one function of management (planning, supplies, etc.), then the leader is of the functional type. In terms of level within the managerial hierarchy the management personnel (both managers and specialists) is classified as first-line, middle, and upper.

The first-line managerial personnel are team leaders, section chiefs, managers of small shops, and also

heads of divisions within functional services. The middle level embraces managers of big shops, directors of branch enterprises and independent enterprises. The upper level is made up of general directors of production associations, heads of industrial associations, ministers, heads of departments and their deputies.

While the managers are classified as line or functional, the basic classification of specialists is purely professional. The economic management bodies employ economists (both of general economics and those specialised in engineering economics), specialists in engineering and technology of a given sector (engineers, agronomists, technologists, etc.), lawyers. The system of management also employs specialists with a secondary education as well as support personnel—typists, stenographists, clerks, etc.

Basic components of personnel management. The system of personnel management identifies the object and the subject of operation. The object is the basic components of personnel management: selection, assignment, assessment of personnel, etc. The subject is the sum total of bodies and workers realising personnel functions.

The first element in the system of personnel management is the *personnel policy.* It is aimed at developing a set of requirements to economic management personnel and the system of posts, the order of promotion, the system of managerial professions, the system of forming managerial personnel.

The next element in the system of personnel management is *selection*: the principle of personnel selection, the procedure and methods involved, etc. It incorporates employment, reserve, promotion, rota-

tion, assignment, resignation. The final element in selection is the formation of a managerial collective.

Assessment of personnel lies at the core of personnel management. The assessment (employee rating) comprises the contents, methods and procedure of certification.

Subject of personnel management. The function of work with managerial personnel is realised by a certain subject of personnel management. This subject constitutes the organisational sum total of bodies which realise the entire complex of operations in selecting, assigning, training, and assessing managerial personnel.

One of the specific features in personnel management in socialist production lies in the fact that the specialised services which deal specifically with personnel (personnel departments) do not take any decisions of principle. The functions of the personnel departments are constantly developing, but unlike the planning or accounting services, which are the main subjects of planning and accounting, the personnel departments mainly perform informative, recording, filing and other functions of the kind.

The leading role in personnel management belongs to the party organisations, organs of party leadership and also the superior bodies of economic management. The party organs perform not only directive but also operational functions: they create managerial reserves, assess the personnel, issue their recommendations to the economic management bodies concerning candidates for promotion, shifting of workers, etc.

This role of the party organs stems from the principle that selection of personnel is the duty of the

owner of the means of production. Under socialism it is the working people, the society as represented by the state that come out as the owners of the means of production. The party is the leader of society and in its capacity of the vanguard of society it directs the key functions of management—the selection of personnel and the formation of the system of management. The volume and forms of activities of the party organs in the operation of personnel depend on the level of economic management.

At the basic production units of the national economy the selection of managerial personnel, as other actions of the administration, are directed by the manager under the control of the primary party organisation. At higher levels of the managerial hierarchy the party organs are not substitutes for economic management bodies. The party organs exert dual influence in matters of selection of managerial personnel: by recommending candidates to the economic bodies and by approving candidates nominated by the economic bodies. The party exerts influence by using its political and moral authority and means of persuasion; imperative methods are alien to it in matters of personnel selection.

Economic management bodies are the direct subject in personnel selection. All decisions become valid only after orders are issued by the corresponding economic bodies. Decisions on the selection of most categories of personnel are usually adopted on one or two levels higher than the body in which the person concerned is to be employed. For instance, employment at shop level is decided on at plant level; employment at plant level is decided on at the level of the association, etc. This has profound meaning be-

cause the higher organisation which hands down the assignment must have the final say in these matters (of course with all-round analysis of the views and stands taken by the direct superiors of the candidate).

The personnel departments constitute an integrated element of the subject of personnel management. They function along two basic lines. In one case the personnel department deals with the entire personnel of the organisation, including its managerial personnel. In another case there exists a special service dealing only with managerial personnel, or even with the administration only.

Higher-level personnel services clearly define two aspects of activities: direct personnel management and guidance in the work of subordinated personnel departments. The first aspect is limited to the personnel employed at the given economic body. The second aspect embraces issue of instructions, methods guidance references, development of forms, summarised statistical accounts, etc.

2. *Personnel Policy and Employee Rating*

Personnel policy. The personnel policy is the general line adopted in personnel management, the sum total of fundamental principles. The personnel policy is calculated for a lengthy period of time and envisages the fundamentals for developing the system of personnel management in line with the prospects for the development of the national economy and management as such.

The personnel policy incorporates the drawing up of the personnel structure, the requirements to the

personnel, and the system of forming managerial personnel.

The structure of the management body is the basis for the staff list which, in its turn, is the formal basis for the personnel structure of the body concerned. The staff list is a transitional element from structure to personnel.

The post is a basic unit of the staff list. The post incorporates part of the competence of the management body and defines for the worker his range of duties and rights, professional standards, material incentives and his place and role within the management body. The posts are duly classified and standardised and for this purpose there exists a unified list of posts which is valid throughout the country.

There is a number of juridical documents defining compulsory and formal requirements to each post. For instance, the regulations on management bodies, or their structural divisions (general regulation on ministry, regulation on enterprise, standard regulation on planning department, etc.) define the duties of the manager of a given body or division. There exist special regulations covering some posts, such as chief accountants and legal advisers.

A basic document is the employees' post qualification reference book. The qualification description given in the book comprises three sections: duties to be performed, required training background, job specifications. This reference book serves as the basis for elaborating instructions, both standard for posts and specific for individual workers.

The *nomenclature* is an important element in the staffing system and it exists in two basic forms. The first provides a list of posts within the given body

which can be substituted or relieved by a higher body (under an agreement with party organs). The second nomenclature lists the posts which the given management body can deal with at its discretion, although the candidates for appointment are to be approved by one or another organ of party leadership. The nomenclature realises the principle of centralised management of the national economy, the principle of the leading role of the party.

Listing *requirements to managerial personnel* is a priority task of personnel policy. Lenin discerned political traits, business traits and personal psychological traits of the human character. Each one of these aspects embraces a complicated pattern of features.

Within the group of political traits priority goes to adherence to communist principles, political maturity and responsibility. A leader must also possess business qualities and, first and foremost, be fully competent. He must also have organisational talent to be able to apply his skill and knowledge in practical terms. An important business quality is a feeling of the new, an ability to recognise and apply new technological and organisational ideas. Enterprise is another important feature for a manager. It stands to reason that the enterprise of a socialist production manager differs basically from that of a capitalist businessman. Capitalist competition usually leads people to stint no means in pursuit of profit. The enterprise of a socialist manager is directed at raising economic efficiency of social production in the interests of the people.

We have just examined the basic requirements to managers of socialist production. The same system

applies in the main to specialists although some of the requirements are modified in accordance with their role.

Leading managerial workers must also display outstanding personal qualities: quick and flexible thinking, resourcefulness, a well-developed intuition, resoluteness, strong will, an ability to resort to risk, to shoulder full responsibility in a situation when opinions differ, persistence in realising decisions.

Concern for the *formation of managerial personnel* is also part of the personnel policy. There may be a well-developed structure of management, modern facilities, and a scientific system of methods of management, but the system is efficient only if the managerial personnel master to a sufficient degree the science of management, the art and skill of its application.

There are many factors affecting the qualification level of management personnel. One of them is the problem of organisation of proper training (i. e., education prior to assignment to any job) and advanced training (education after the assignment to a certain job). The problems of training and advanced training are resolved differently depending on the contingent: managers, specialists and support personnel.

The formation of a manager is a lengthy process. More often than not production managers are recruited from among specialists with a higher or specialised secondary education and practical experience in their profession.

The promotion of even a promising specialist does not mean that he automatically becomes a qualified manager. The trial and error method prolongs the period of forming qualified managerial staff and is

detrimental to the quality of management. It is generally accepted nowadays that modern managers must be trained systematically in both theory and practice of management.

In principle the training of managers may be of two types: in-service training on the basis of advanced experience and training proper. The latter may be in the form of self-education and organised education (with work being discontinued or without dropping work).

Certification of managerial staff. Objective assessment (certification) provides the prerequisites for the timely promotion of promising workers, makes it possible to identify shortcomings in the activities of a manager or specialist, to take measures for reprimanding the worker guilty of neglect of duties to the extent of removing those who no longer can face the new tasks and refuse or cannot learn to solve them.

Certification of managerial personnel involves the following aspects: object of certification; content of assessment; methods of assessment; procedure of assessment.

In terms of *content* the assessment of managerial personnel embraces the following factors: evaluation of the results of activity, evaluation of the activities themselves, evaluation of the worker himself as the subject of activity. The sum total of these three evaluations provides a sufficiently complete assessment of the worker.

The most correct way of assessing a worker would be by the results of his labour. However, such results may be easily recorded only for support personnel (e. g., the number of typed sheets), or for some catego-

ries of specialists (number of accounts conducted by an accountant).

It is hardly possible to measure the product of managerial labour, namely the decision, inasmuch as its consequences may be very different. Measuring the consequences, i. e., the results of managerial activity, is also not very correct as there are many factors, apart from the efforts of the manager, which affect these results. The time factor is also important since today's results incorporate previous decisions (including those taken by the predecessor of the current manager). On the other hand, today's results are not indicative of the manager's concern for development prospects and future results. Nevertheless, an assessment of managerial activity results duly corrected in the light of the above-mentioned factors may serve as the primary index for the manager's work.

With regard to specialists even such results cannot be identified, since the specialist influences not the results, but the quality of the function performed by his department or service. It would, therefore, be more correct to assess the specialists on the basis of the level and quality of their activity and the degree of complexity of the labour involved.

A similar situation arises when we have to deal with managers of functional services. Assessment is conducted not only on the basis of production results (although these must be taken into consideration), but on the basis of the indices of efficiency of the given service (timely presentation of accounts for accountants, etc.). These criteria are usually included into the service regulations.

Neither the assessment of activity results, nor the assessment of labour done can fully reveal the poten-

tials of a worker. For this reason, any evaluation of a worker by his merits must be supplemented by an assessment of his personal qualities: political, business and psychological. Corresponding qualification requirements to managerial personnel may serve as a criterion. In assessing personal qualities it is necessary to focus attention on three components: knowledge, skills, traits and moral principles.

Difficult as the problem of assessment may seem, the situation is even more complicated when we deal with *methods* of assessment. Quite often, it is the methods that are responsible for failure to assess an aspect of the worker's activities.

The methods of evaluation must deal with two groups of questions: how to define the presence or absence of a given evaluation characteristic; how to measure the value of these characteristics. The methods of data acquisition comprise the study of documents and other written sources, interviews, and special methods (tests, questionnaires, special observation). In order to ensure comparability of data it is expedient to develop and record a general programme of data acquisition.

There is nothing specific about measuring the characteristics which assess the results of production and labour expenditure, and the problems in assessing personnel are the same as in other spheres of management. However, measuring the qualities of a worker, particularly his personal qualities, entails serious difficulties. The most frequently applied assessment is in points and in ratios (by correlating the points to criterion). Both methods are susceptible to subjectivism, and that is why simpler methods are applied: ranking (listing workers in terms of ranks—

from the best down to the worst), comparing with a model worker (method of model), comparing workers in twos, etc.

Certification is conducted once every 3-5 years or as the need arises (for promotion purposes, etc.).

3. Selection of Managerial Personnel

Description of personnel selection. Selection of personnel comprises the following elements.

Hire (employment) is the drawing into the sphere of management of persons previously not employed there. There are two important factors justifying isolation of this area of activities. First, it is necessary to maintain control over the number of staff employed in the sphere of management and, subsequently, over managerial personnel fluctuation. Second, there is an inevitable difference between the procedure of selecting managerial workers for promotion and the procedure of recruiting new personnel into the sphere of management, which calls for special procedures and rules.

Promotion (for the reserve and to higher posts). With correct organisation of personnel selection, there must be a correlation between promotions and preceding assignments to reserve. It is not correct to make promotions only from reserve personnel since a certain ratio of workers are invited from outside—from social organisations, from other industries of the national economy, etc.

It is expedient to have the reserve of managerial personnel divided into two categories: general reserve (for all listed posts) and operational reserve (for vacancies or potential vacancies).

Rotation means the horizontal shifting of workers without altering their rank. Such shifting is important in ensuring the efficient functioning of the managerial staff.

Assignment means distribution of personnel by sections, which is, basically, a continuation of the staff list, but more detailed and specific. Assignment is a selection of sorts, not for posts but for sections of work.

Resignation (both from a given post and from the system of management in general) is an essential component of personnel selection. Without an analysis of the reasons for resignation, without its proper organisation, personnel selection inevitably runs up against spontaneous vacancies. While personnel fluctuation is something that has to be eliminated or reduced, and spontaneous shifts have to be substituted by organised rotation, organised resignation is an inevitable process. It is not a disease, but a logical element in personnel management.

Principles of selection of managerial personnel. The selection of managerial personnel is based, first and foremost, on the general principles of the system of management: democratic centralism, party leadership, etc. Second, it is based on the general principle of personnel management: selection of managerial staff according to political and business qualifications. Third, there are the specific principles in personnel selection: the principle of compliance (worker-post), the principle of concrete individual approach (taking into account the practical situation at the object and in the system of management, as well as the individual features of the candidates), the principle of collective (structural) approach, and the principle of dynamic approach.

The principle of collective (structural) approach acquires great importance. It deals with several problems, first and foremost with the problem of the source of personnel. With all the great variety of these sources, they may be roughly grouped into "home-grown" and "invited" personnel. The advantage of "home-grown" workers lies in the fact that they know the organisation inside out and the organisation knows them. These workers fit well into both the formal and informal structure and are well aware of its specific features. This type of personnel know the problems of the organisation and are poised for work, particularly if they had been trained for a specific kind of activity while in the reserve. At the same time, they have a tendency to get accustomed to the shortcomings of the organisation. Just like in genetics, in-breeding not only augments the advantages but also leads to accumulation of undesirable features, and this lack of "fresh blood" may cost the work collective dearly with time. Invited personnel bring with them new ideas, new approaches, fresh experience, new contacts. It is, however, difficult for the newcomers to fit into the existing organisation, particularly into its informal structure. As a rule, these people are less known and it is more difficult to assess them.

There are other advantages and disadvantages in "home-grown" and "invited" personnel. The task of combining the two sources is obvious, but it is not that easy to estimate the practical ratio of both. Much depends on situation. If an establishment functions properly, the ratio of invited staff may be small. If there are many drawbacks in work, if conflicts within the collective are numerous and tasks of an entire-

ly new dimension appear, then the ratio of invited workers may grow. Nevertheless, the emphasis must always be on "home-grown" personnel. According to studies, between 70 and 90 per cent of new appointments are made from the reserve, i. e., "home-grown" personnel.

The next group of problems involved in the principle of collective approach is ensuring a correct personnel ratio in terms of age, sex, educational background, experience, personal qualities, etc.

The Communist Party pursues a consistent age policy in matters of personnel which is known as "combination of experienced and young personnel". On the whole, the experienced workers are the carriers of experience and tradition. They also ensure continuity in leadership. Young workers, as a rule, are more active, they do not shrink from the risk of experiment and display a strong orientation on success in perspective. More often than not, the younger workers have a greater capacity for work and they often know more about the latest achievements in science. It is logical, therefore, that only such a combination of these groups of workers ensures success in personnel selection.

The principle of collective approach calls for a correct ratio of workers in terms of past experience, educational background, and personal qualities.

The collective approach also ensures taking into consideration not one or another ratio individually, but the integrated analysis of the general composition of the managerial personnel.

The principle of dynamic approach deals with the problem of stability and mobility of staff. Stability has a number of serious advantages: it ensures continuity

in management, the full utilisation of informal ties which are most efficient in stable conditions. Stability sharply reduces the losses which are inevitable when personnel are transferred and enter a new environment.

Stability, on the other hand, is fraught with the danger of stagnation, of getting accustomed to shortcomings. Sometimes, stability results in a lopsided structure of management. For instance, a manager wishes to leave intact the existing staff and is compelled to introduce fresh posts to cope with new tasks. The slogan of stability may serve as a pretext for retaining personnel who no longer meet the requirements and tasks of the day.

Mobility means the planned and organised rotation of managerial personnel. Mobility envisages their shifting inside the organisation, between related organisations and also to higher and subordinated organs. The main advantage of personnel mobility is the influx of "fresh blood" and the pooling of experience. When correctly organised, mobility ensures the introduction of carriers of the experience which a given section of management lacks most. Mobility prevents stagnation, indifference and loss of interest in work done, adaptation to drawbacks, gradual loss of skills and knowledge which are not often applied in the given capacity of the worker.

An important problem of mobility is to define the optimal duration of a worker's stay in any office.

Another component in the principle of dynamic approach is forecasting. The selection of personnel requires thinking in perspective: in terms of the prospects of production, in terms of the prospects for the development of management, and in terms of the

prospects for the worker himself. The dynamic approach makes it a must to plan all aspects of personnel management.

There is every reason to believe that the future will bring us new components in the principles of personnel selection. Debates are currently held on the introduction of compulsory managerial training. This means that there is no promotion unless the candidate has taken a special managerial training course.

Planning of personnel management. The last few years have seen the accumulation of some experience in planning various aspects of personnel management. The planning of higher and secondary education has provided the experience for planning the training and advanced training of managerial workers and specialists for the national economy.

There is also experience in planning certification of personnel, experience in drawing up plans to staff construction projects. The development of integrated plans for personnel management marked a step forward. The planning of personnel management, however, encounters serious difficulties: the absence of approved methods of planning, insufficient statistical facilities, the absence of a substantiated system of norms and indices, etc.

The key issue today is the development of a substantiated system of plans: managerial personnel forecasting plan; plan of employment and promotions; plan of the reserve; educational plan; individual plans.

Manpower forecasting is one of the most complicated elements of planning managerial personnel. It is based on the optimal structure of the staff (in terms of number, structure of posts and professions). It is important to establish whether the same struc-

ture would remain over the planned period or it would be subject to change. This work aims at forecasting the potential staff structure.

The next stage is forecasting the development of a practical managerial work collective. It is based on an analysis of available vacancies, consideration for the age factor and average statistical demographic factors. It is required to take into consideration such factors as conscription, studies with work being discontinued, retirement on pension, deaths, disablement, fluctuation, results of certification, etc. It is equally important to be aware of vacancies opening due to the rotation (horizontal shifting) of personnel. All this produces a vacancies forecast.

The plan of personnel selection identifies the sources from which the vacancies are to be filled. The candidates may be entirely new (invited from other spheres) and relatively new (invited from other management bodies). The reserve is the main internal source for filling vacancies.

The plans of the reserve are drawn up beginning with the first level and then downward to the next levels. Part of the workers of the second level will meet the personnel requirements of the first level, while their posts will provide the vacancies for the reserve of the next level. The reserve is based on the norm: one or two workers for each post within the framework of the general reserve and two or three workers for a potential vacancy within the framework of the emergency reserve.

It is important to incorporate individual plans into the general system of plans. This constitutes the final stage in planning and is an important factor in realising all the plans of personnel management. Plans

should "reach" every worker. Theoretically, there are two types of individual plans. One is the general development plan for each individual managerial worker. The other is a purposeful and individual plan of training for promotion to a new post. Usually, it is not the post that is specified but the level of the post. Similarly, no appointment date is set—only a time interval during which the promotion may take place.

CHAPTER EIGHT

PROCESS OF MANAGEMENT

1. Organisation of the Process of Management

Concept of process of management. The process of management means the activity of the bodies and personnel of management with the purpose of achieving the goals of management. The process of management is the direct functioning of the system of management. In this process are united and interrelated all the elements of the system of management. The process of management lies on the surface of the system of management and constitutes its real dynamic life, and as such it is extremely diversified. The process of management expresses the quintessence of all the typical features of the system of management, plus its own specific features.

The process of management, more than anything else, is concrete, inimitable and equally so displays elements of creative activity. The process of management is pivoted on the time factor. In fact it has a temporal development and each period corresponds to a stage in the cycle of management. The concrete nature of the process of management means that the historical features of the concrete system of management are manifest in the process of management. The result is that it is particularly difficult to

isolate the principles from practical methods in the process of management. All this accounts for the difficulties in analysing the process of management. Nevertheless, this process, just like the other elements in the system of management, is open to theoretical analysis and systematisation. Primarily, it is content and organisation that are identified in the process of management.

The *content* of the process of management comprises the activities of management, its problems and the methods for solving these problems. The content of the process of management reflects the activity of economy—the object of management. In terms of its content the process of management is related to the solution of technological, production. scientific, technical, economic and social problems. In broad terms, the content of the process of management is expanded socialist reproduction. The content of the process of management is the subject of study by economics and other sciences on social production.

The theory of management studies not the concrete process in solving problems of demography, engineering, cattle breeding or construction, but ways and means of organising this process correctly, the general rules of its organisation irrespective of the nature of the problems solved. In this connection the organisation of the process of management may be subdivided into the following aspects: organisation proper; technology; procedure and information and recording. All these aspects reflect the common features inherent in management processes which differ in content.

The *organisation* of the process in terms of the

bodies participating in it embraces all the basic types of processes, their arrangement and interaction sequence. The *technology* of the process of management means the process of management not between bodies but within one management body. It deals with the coordination of the divisions of the given body, the personnel organisation. It is not the economy but the management itself which is the object of technology.

Procedures characterise a single type of managerial activity in terms of the composition of the operations performed. In fact procedures mark the competition of technology.

Finally, every process of management incorporates the *information* and *recording* aspects. Let us now examine all these elements.

Characteristic of the organisation of the managerial process. In order to ensure a correct organisation of the process of management it is essential to identify its component subprocesses:

—the process of management at the national economic level;

—the process of functional management;

—the process of sectoral management;

—the process of intersectoral and interregional management;

—the process of management within a production organisation.

All these processes share a common feature: their object is within the sphere of production, in economy.

It is further necessary to identify the participants in each process, to arrange them as executors and coexecutors, and then to assign functions to each one.

Finally, it is necessary to examine their coordination in time. It is based on the cycle of management, i. e., the time required for the entire range of activity—from the setting of the goal to its achievement. This cycle embraces preliminary management (goals forecasting, plans), operational management (organisation of structure, selection of methods, selection of personnel, administration), final management (control).

At the *national economic level* the process of management focusses on selection of goals for economic development, on development of fundamentals for the arrangement and functioning of the system of management. Efforts are concentrated on the development of long-term, medium-term and short-term plans for social and economic development; on the organisation of their fulfilment; on control and correction of the course of their fulfilment.

This process involves the participation of higher party, state and social organisations. The higher party organs approve the guidelines of the plans. The USSR Council of Ministers organises the drawing up of the plans. The USSR Supreme Soviet approves them as a law.

The central bodies constantly make inquiries to the subordinated bodies and take their recommendations into consideration. The drafts of long-term plans and the bills are published for nation-wide discussion.

The process at the national economic level is the initial point for the organisation of other processes.

It is very important to identify correctly the range of problems whose solution is taken up by the central bodies within the framework of the plan. In this

connection it is very important to identify the *integrated* and *purposeful national economic programmes* incorporated in the plans and linked with the solution of major economic, social, scientific, technical and other national economic problems. It is equally important to identify both the programmes and the central bodies responsible for their elaboration and realisation.

Functional management develops along the lines of the basic and special functions of management—planning, accounting, supplies, finances, pricing, labour organisation and remuneration, etc.

The process of functional management envisages contacts of the central bodies with the corresponding services in the sectoral and regional bodies. It is important to organise permanent contacts between the functional bodies: planning bodies with supplies and finance bodies; bodies responsible for science and technology with planning and pricing bodies; finance bodies with bodies responsible for the system of labour remuneration, etc. In the most important cases, as in drawing up a draft plan, the system of these contacts is officially defined and set.

The *process of sectoral management* is organised by the sectoral management bodies. It embraces drawing up plans for the development of the sector of the economy and its subsectors, the study of the social requirement in the produce of the industry and ways and means to satisfy this requirement, the pursuance of a unified technological policy, and the organisation of operational management.

All the functional departments of the sectoral management body actively participate in sectoral management. The sectoral management body ensures

coordination of all its functional services, coordination with higher and lower bodies of the middle and primary level of sectoral management, and also with regional bodies.

Progress in the fulfilment of a plan is reported to the sectoral management body and on the basis of these data extensive work is done in the way of correcting assignments, redistributing resources and funds, etc.

The *process of regional management* includes the process of management of the economy subordinated to the given regional body (tertiary industries, local industry, agriculture, etc.) and the process of coordination of the entire economy within the given region.

In this process the local bodies cooperate with the higher regional bodies and with the sectoral management bodies. The central bodies of general management and the central functional bodies adopt general or concrete decisions concerning the regional bodies and thus directly participate in the process of regional management.

The *process of management in production cost-accounting units* of the economy is based on coordination between the higher sectoral bodies and the initiative of these units within the framework of their rights. This process is heavily influenced by the task of organising the production process and ensuring cost-accounting results.

All the functional services of the production unit and its line managers of various levels participate in organising the process of management. Here great importance is attached to the work collective and the social organisations. Operational management of

production holds prominence in the process of management of the production unit. Management of scientific and technological progress plays an increasing role.

Intersectoral and interregional management arises from the need to solve an increasing number of problems with the help of either several sectoral bodies or several regional bodies, or both. These problems are basically resolved by traditional planning and cooperation in fulfilment of plans, but often this is not enough. In these cases selective-programme management is introduced and one of the existing sectoral or functional bodies takes responsibility for cooperation as the leading organisation. In some cases special programme bodies are formed to organise processes of intersectoral and interregional management, to ensure coordination of activities of all the bodies participating in the solution of the problem.

Problems in organisation of the process of management. The organisation of the process of management calls for special attention to a number of problems. First of all, it is the problem of coordination of all processes and the united functioning of the system of management. The process of national economic management unfolds into functional processes and they are all initial points for both sectoral and regional management.

Furthermore, there is the problem of correct definition of the executors and their coordination. Failure to include essential bodies into the list of executors is detrimental to the quality of management, while an excessive number of executors hampers management.

One of the most complicated and acute problems of coordination is that of "breaching gaps" between functional systems, between sectoral bodies, between regional bodies, etc. The most complicated task is to coordinate two equal bodies.

Processes of selective-programme management require special attention as they are superimposed, as it were, on the basic structure of managerial processes. Attention must also be focussed on the processes of solving non-standard and unique problems. The present practice is that the State Planning Committee of the USSR approves the list of integrated national economic programmes eighteen months before the beginning of a five-year plan period at the latest. This makes it possible to incorporate the process of programme management into the general pattern of management.

The coordination of processes in terms of the time factor also calls for special attention. Long-term plans must be subdivided into periods corresponding to medium-term plans, and the latter—into annual plans. This connection must be dynamic, meaning that each new medium-term period goes hand in hand with a "continuation" of the long-term plan for the same period. This ensures continuity in the process of management. This very principle has been introduced into the existing system of organising processes of management in the USSR which was adopted in 1979. The Comprehensive Programme of Scientific and Technological Progress and Its Socio-Economic Consequences covers a period of 20 years. The guidelines for economic and social development are adopted for a decade and subdivided into five-year periods. The assignments for the first five-year peri-

od are allotted on an annual basis. Every five years, the entire system of plans is shifted forward.

Operational management plays an important role in the process of management, particularly at the sectoral level and at the level of the primary unit. It is essential, however, to prevent operational management from straying away from planning and developing into a self-contained factor.

2. Technology and Procedure of Management Process

The organisation of the process of management defines the actions of management bodies, while technology deals with the process of management within the body, with the activity of its divisions and staff, as a sequence of managerial procedures.

Technology of functioning of management body. A management body, while managing others, must itself have a well-organised activity process. The activity of the basic structural divisions of the management body depends on the organisation of functional management processes on the scale of the entire system of management. The schedules and sequences in the functioning of the planning services are defined by the general process of developing and approving national economic plans. The operational schedule of an accountant is defined by the accounting schedule adopted in the national economy, etc. It is essential *to plan* the activity process of a management body for the coming year and also for shorter and longer periods. The plan of an establishment is called upon to realise the tasks the management body is entrusted with. This plan specifies the issues which

must be resolved, the schedules and the ways and means of putting decisions into effect. The plan of a management body is the basis for organising the activities of each division and each individual worker.

There must be *control* over the activities of the management body personnel. The systems of control may differ: permanent control of outstanding issues; control of execution of document; selective control; inspection by division chiefs; control by another division which anticipates results of the work of a given division.

Organisation of the process of activities by management body requires clear-cut *discipline*. Labour discipline incorporates publicity in work, immediate and effective measures with regard to infringers of labour discipline, development of a creative attitude to work and conscientiousness. This opens a broad field of activity for social organisations.

An establishment works more efficiently when its divisions and individual workers organise *socialist emulation*. Competition within the management body corresponds to the specific features of managerial activity. More often than not, there is no problem of pre-schedule fulfilment of any assignment. What is really important is the quality of the work, its essence and not the formal execution of papers.

Successful organisation of the process of management calls for the development of *criticism and self-criticism*, an analysis of successes and failures, constant in-service *training of personnel*.

A clearly defined technology of management body activity promotes the creative approach of the personnel to their duties, develops *initiative and inde-*

pendence, stimulates the activity of the entire work collective.

Organisation of managerial activities. The activities of individual workers are organised in line with the general process of activity of the management body. The scientific organisation of managerial activities demands a study of working time expenditure by the workers with the help of various methods: self-recording, recording, time study.

Analyses data are used for the more rational division of labour between workers and for correct cooperation.

Greater specialisation, clear definition of duties for every managerial worker, concentration of a worker's efforts on direct duties—all this improves efficiency of management. At the same time, it is necessary to avoid the narrowness which hampers the full utilisation of a worker's qualifications and causes indifference to labour.

In the course of division of labour, it is necessary to identify creative and standard work, recurrent and specific work. It is equally important to specify urgent and very urgent work. There must also be differentiation between work of a general nature and one which requires special knowledge and skills. All this helps to distribute work assignments among the personnel more correctly.

Rating is an important aspect in the scientific organisation of managerial labour, which is very specific because it is connected with processing of information for adoption and realisation of decisions. But even this kind of work makes allowances for definitions of load criteria and indices of volumes.

Rating of managerial labour is based on the rate

of time, which is used to define the daily and monthly volumes of work, the required number of personnel and their qualification. Another type of rating is based on the services rate (e. g., the number of workers serviced by one accountant). There is also a rate of management which estimates the optimal number of subordinates under one superior (usually 5-7 subordinates).

There are different methods for rating various types of managerial labour and the number of personnel. It is very easy to do rate setting for standard, recurrent kind of work, and much more difficult to apply rates to creative work, particularly one connected with research. Here rate setting may only be detrimental. For this reason, it is necessary to lay the emphasis on rate setting and at the same time to avoid formal regulations which curb initiative.

In organising managerial work it is important to distribute assignments among the workers fairly. The assignments are distributed on the basis of the existing staff deployment, but it is always necessary to take into consideration the specific features of the assignment and of the executor. Standard sections of various assignments may be placed under the responsibility of one executor (horizontal approach) or one executor may be made to deal with all the stages of one assignment (vertical approach). Either alternative has advantages and disadvantages. The horizontal approach boosts efficiency but does not promote the worker's interest in his occupation. Cooperation of workers is made more difficult and there is an additional load upon the coordinating manager. The vertical approach clearly defines responsibil-

ity for the assignment, but does not ensure its rapid fulfilment and does not develop specialisation skills.

Procedures in managerial work. The technology of the process of management crowns a clear-cut procedure for the fulfilment of every type of work. The procedure means a set of managerial operations which ensure fulfilment of the goals and the achievement of the required result. Managerial operations are the actions of the managerial staff. There are different degrees of detailing of work operations in managerial activity. For instance, the following operations are identified in processing a paper: receipt of the paper, opening of the envelope, examination of contents, sorting, delivery to the marking-out section, marking-out, stamping, entry into registration book, etc. The greater the detailing of operations the easier it is to define the procedure of managerial work. Inasmuch as this is a very labour-consuming process, detailing of operations is required only in developing procedures for recurrent work (as in a bank), where the saving of even a few minutes a day eventually saves days of work a year. In other cases there is no need for such detailing of operations.

The division of work into operations, definition of its executors, the time required for each operation eventually produce a complete picture of the existing procedure. This procedure is then carefully analysed with the purpose of eliminating excessive operations or clarifying ways and means for reducing the time of individual operations. The final stage is the development of a new and more streamlined procedure.

The procedures may be described in the form of

organisational diagrams, technological schemes and charts, instructions, etc.

The simplest method is compiling a *technological chain* which describes the sum total of operations making up the given type of work. Each operation is outlined in chronological sequences and the executor defined. The technological chain can describe either the process of operations with papers (e. g., drawing up a reply to an inquiry) or the process of decision-making on any issue (a worker's leave).

An *operation diagram* provides a more detailed picture in a system of coordinates: the operations (types of technological chain) are listed along the vertical, and the executors participating in the fulfilment of the given work are listed horizontally. Each operation is marked at the crossing of the lines of operations and executors. The operation marks are then joined and this produces a diagram of work procedure.

In more complicated diagrams the operations are classified into typical groups marked by a circle, triangle, etc. When the operation diagram is filled with such symbols it provides a graphic demonstration of the nature of the operations in the procedure.

Structural-production diagrams are the most explicit because they combine the diagram of paper work procedure with the operation diagram. The central column of this diagram lists the operations of the technological chain. On one side of the column there is the diagram of executive operations and on the other—the paper work operations diagram.

Work procedure of managerial divisions. The development of procedures for individual types of work

provides the basis for coping with a more complicated task: the development of a general scheme for all the procedures of a given body (provided it is not too big), or, what is more often the case, for the structural divisions of management body.

The primary prerequisite for such work is the maximum possible standardisation of the operations which were used to make up the procedures of individual types of work. With a certain degree of detailing managerial activities, which seem so different, turn out to recurrences of the same operations. Instances of such operations are summarisation of results, filling of tables, drawing up of texts, typing, approval of text by manager, etc. After all procedures are described by such a unified catalogue, which is, in a way, a glossary of operations, and standard symbols are used, the diagram of individual procedures becomes more compatible.

An analysis of the sum total of procedures provides greater opportunities for organising parallel work and ensuring streamlined operations for achieving the ultimate goal. For instance, instead of submitting one and the same draft order consecutively to six different services for approval, six copies of the draft are typed and submitted simultaneously to the six services and approval goes in parallel.

The general set of procedures makes it possible to identify the number of assignments in which one or another member of the staff is involved, the concrete duties with regard to the entire range of operations performed by the person, the time he requires to fulfil the assignment. It is also possible to identify the recurrence rate of the operations and the ratio of creative operations. The general work procedure of

the divisions makes it possible to identify peaks of activity and less intense periods in work.

There is another important aspect. Quite often, managerial activities intersect not only in time but in essence of work. A general approach would make sure that one and the same executor would deal with one and the same problem when it is examined in different procedures. This ensures a unified approach of the given division to a problem and prevents any possible confusion, as a result of which identical problems may be resolved differently within one and the same service.

The scheme of the general procedure of activities makes it possible to identify mass-scale and recurrent operations for which a more detailed procedure may be worked out so as to save as much time as possible. Such operations are open for mechanisation and automation by means of various engineering facilities.

It should be borne in mind that the development of procedures is a labour-consuming process. It is effective only when the procedures are put into effect, the staff are trained to follow them and realise the importance of strict adherence to procedure.

3. Information and Documentation in the Managerial Process

An analysis of the process of management leads us to treat it as an act of processing information: its acquisition, storage, etc. Managerial ties are realised by means of transfer of information through communication channels.

Information in the sphere of management. Since the process of management is, in a sense, data organ-

isation, it is therefore important to know the laws governing data processing.

Information means, first and foremost, various kinds of knowledge, data. Information is extremely diversified in content and, hence, incomparable. A short document may be much more important than a long one. For this reason it is not the content of information that is measured, but the number of information symbols. The statistical theory of information has adopted the *bit* (binary unit) as the unit of information. This is a unit which does away with uncertainty arising in the case of two equivalent possibilities. If one is interested whether it is raining outside or not, one glance through the window provides one bit of information.

This measure of information makes it possible to estimate the information capacity of information channels and the entire body of management. For instance, if a ministry employs a staff of several hundred, it is possible to estimate their maximum information processing capacity, knowing that a person is capable of processing 25 bits of information per second.

True, statistical characteristics of bodies, lines of communications, and papers are important for management, particularly with the introduction of engineering facilities. But statistical indices concerning the amount of information say nothing about its content. It is accepted by the information theory that the formal measurement of the amount of information in bits provides a physical index.

In management, however, it is important, first and foremost, to understand the contents of the available data. This depends on the qualification of the work-

ers, their practical experience and their composition. In general terms this potential of perception is called *thesaurus*. Information is no longer a sum total of symbols, but data which is extracted and which enriches the thesaurus of the receiver.

Finally, information may not be used in management (e. g., when it is not deemed important enough). This means that from the point of view of the information theory the process of management must be so organised as to convey information in a form required by management. All the information at the disposal of management is classified as either systematised or non-systematised. Systematised information is regulated by schedules, sets of indices, sources, recipients, etc. There is also documentary and non-documentary information, the latter being transmitted by telephone, in conversations, etc. For a given body information may be external and internal. External information may be incoming and outgoing.

At each level of management information is condensed when it is directed up, and detailed when it goes down. The degree of detailing speaks of the measure of centralisation in management. An analysis of the information aspects of managerial processes leads to many important deductions.

Documentation. Information that is properly recorded on paper becomes a document. Management makes use of a wide range of documents: resolutions, orders, instructions, letters, notes, etc.

Resolutions are adopted by the central management bodies: the government and functional bodies. These are decisions of collective bodies.

An order expresses a decision taken by a one-man management body or by a manager.

Instructions are issued as supplements to resolutions and orders and deal with day-to-day issues.

A protocol is a document recording the fact of service, the composition of its participants, the course of discussions and the decision adopted.

A verbatim report is a transcript of all the debates.

A statement is a document in which a group of people confirm a fact or an event.

A letter is the most common type of document used for exchange of information between establishments, their divisions and individual workers.

A reference is a description of some kind of facts. Closely related to a reference are summaries, reports, explanatory notes, reviews, synopses. There are other documents: plans, reports, lists, instructions, orders, notifications, etc. It is very important for the organisation of management to know all the different types of documents and their specific features. It is equally important to document information correctly. A document must be drawn up in such a way as to correspond to its purpose, to be legally valid, easy to handle and conducive to the process of management.

A document must be drawn up according to rules. It mentions the name of the sender, the type of the document, the address, the date. Its release, arrival, circulation, and execution are all marked. Certification of the document is another of the elements: the signature, the signature stamp, and the stamp.

The use of *standard documents* is of great importance for the rational organisation of documentation. Plans, accounts and a number of other documents are drawn up according to standard forms. Many other documents, letters, first and foremost, can be

standardised. Stereotyped inquiries and replies save a lot of time and can be used much quicker. It has been estimated that stereotyped letters reduce time and labour expenditure by 66-80 per cent.

Each establishment and its divisions would benefit greatly by having at their disposal albums of standard documents and models for filling in standard forms. The workers need only to prepare the variable part of the text, indicate the index of the standard document and the typists copy the text from the album and insert the variable part.

Business correspondence and document turnover. The efficient organisation of the process of management requires not only correctly drawn up documents but also an organised movement of the entire mass of documents—document turnover. The enterprises and establishments draw up schedules for the movement of the basic groups of documents. These schedules outline the sequence of document processing: registration, handing over for inspection and signing, handing over for execution, approval of draft replies, etc.

With the purpose of standardising this work and disseminating the most rational methods of business correspondence in the USSR, there has been developed a coordinated state system of business correspondence (CSSBC). This system contains instructions concerning the drawing up of documents, the organisation of records, references on each document, organisation of document turnover and control of execution schedules. The CSSBC also contains rules covering the deposit of documents, formation of archives and keeping of documents in archives. The CSSBC makes recommendations on correct organisa-

tion of labour for personnel dealing with business correspondence. In this way the unified system provides an integrated and coordinated solution of all problems in business correspondence.

State standards are another important lever in improving documentation work. There are currently state standards for 12 unified systems of documentation. It is particularly important to systematise the most labour-consuming day-to-day executive documentation. A set of standard documents has been approved for such important processes of management as the creation, reorganisation and liquidation of a management body; employment, transfer, dismissal, commendation, reprimanding, granting of leaves; automatic control of execution, etc.

In drawing up the system of annual and other plans, book-keeping and statistical accounts, it is also important to organise the process on the basis of standard documents. The functional bodies which develop processes of planning, financing, crediting, etc., also issue instructions and methods recommendations concerning business correspondence and documentation.

Standard document turnover schedules facilitate training of personnel, help newcomers to adapt themselves easier to their duties. Standard procedures make it much easier to replace a worker on sick leave or on holiday. It is no longer possible to lose a document deliberately or not, to mark time in its solution. The system comes out as an important instrument of raising quality of management.

The development of a general information, and documentary in particular, aspect of the process of management is a logical completion to the set of

measures aimed at ensuring the correct organisation of the process of management.

* * *

On the whole the process of management marks the final stage of management. It is capable of smoothing and removing many of the shortcomings of the structure, methods, and personnel. On the other hand, the process of management may accentuate these drawbacks. This calls for constant attention to the process of management, the seeking of ways and means to improve it. The better the goals, methods and structure of management are defined, the higher the professional level of the personnel, the easier it is to organise the process of management. The process is always the most formidable task in management and on it depends the achievement of goals, the correctness of the structure of the management bodies, etc. The process of management is something of the art and the most creative section of management. The line managers are the key figures in ensuring the process of management on the whole. The main essence of the process is to ensure coordination and it is the line managers who arrange it. The process of management determines the ultimate result of management.

CHAPTER NINE

ADOPTION AND REALISATION OF MANAGERIAL DECISIONS

1. Managerial Decision-Making

In-management decision. The process of management comprises a big number of decisions at various stages of adoption and realisation. Some decisions are just being drawn up, others are being approved, while still others are already realised. A decision is one of the cells in the process of management and concentrates the basic problems of the latter. For this reason, a correct approach to any solution has great bearing upon managerial efficiency. On the other hand, the correct organisation of the entire system of management (bodies, personnel, etc.) is a major prerequisite for a successful decision.

In terms of content managerial decisions in the economy are extremely diverse. By this virtue each one is unique and requires a special approach. However, different as they are decisions display common features in the process of adoption and realisation. The theory of management studies just these common features.

The subject of this chapter is the organisation and procedure of any decision-making, irrespective of its

content. There are serious limitations to this approach since the content of a decision must be present. Nevertheless, knowledge of the general rules of decision-making and its realisation helps managers who make the decisions and those of the personnel who prepare and realise them. Decision-making in practical terms requires the combination of two aspects: general rules of decision-making and analysis of the content of the given decision.

The problem and decision. The necessity of adopting a decision arises whenever there is a *problem.* A problem is the gap between the existing and the desirable state of the object of management.

We may differentiate the content of problems (economic, scientific, technological, etc.), their temporal characteristics (current, long-term, etc.), their scale (global, local, etc.). The difference between standard and non-standard problems is of major importance.

Standard problems allow the utilisation of general rules on a broader scale. Standard decisions (sometimes called programmed) are those with regard to which there exists a developed structure of the decision itself and of the procedure in decision-making.

The last few years have seen the extension of standardisation not only to the structure and the methods of adopting decisions, but even more so to the procedure of work on the problem.

The ratio of standard decisions is relatively high in the process of management and managers should strive to increase their number. Many, seemingly non-standard, problems when properly analysed, can be subdivided into sections with regard to which

standard approaches have been developed. This means that the task is simplified: instead of a global non-standard problem of great complexity, we are confronted with five or six problems to which standard approaches can be applied in terms of work procedure. This leaves two or three really new problems which require a creative approach.

It is important to discern decisions which are a continuation of preceding decisions (either handed down from higher bodies or self-made) and relatively new decisions. In the first case it is important to study the history of the problem. More often than not it turns out that no new decision is required and it is sufficient to merely remove the obstacles that have been preventing the realisation of the previous and absolutely correct decision. The individual and new decisions provide a broad range for creative approach.

There are programmed decisions where standardisation has reached a stage where it is possible to formalise the procedure and describe it in the form of mathematical models, i. e., there is an opportunity to place the main burden of technical work on electronic computers.

Non-standard creative decisions are the most complicated ones and they are the ones that often promise the greatest effect. The nature of non-standard decisions needs to be analysed: there may be accidental problems; there are non-standard but constantly recurring problems; there are non-standard problems from without and from within. All these factors affect the aproach to their solution.

A comprehensive analysis may reveal that some non-standard problems are not as new as they seemed

at first glance. For instance, the introduction of progressive technology may entail various difficulties and the problems arising are non-standard. In this mass of specific problems it is necessary to identify the common problem—namely, the absence of an efficient mechanism of management of technological progress. A good manager is always able to identify common features in non-standard decisions, to develop a common approach and thus eliminate the stream of seemingly non-standard and specific problems.

Decision as an act and as a process. A decision is a creative act on the part of the subject of management. It outlines the path of development and the activity of the system of management in shifting the object of management from its existing state to a desirable state on the basis of cognition and utilisation of the laws governing the object and subject of management.

It is essential to differentiate between a decision as an act and a decision as a process. A decision as an *act* embraces the following aspects: what is decided, who is the decision-maker, where the decision is taken, when the decision is taken, what means are required for the decision, who is the executor of the decision, how the realisation is to be controlled, how the realisation of the decision is to be reported to the superiors.

In general terms a decision as an act comprises the analytical part, the constructive part, and practical activity. A decision as an act also incorporates organisation, techniques and procedure, documentation, etc.

A decision as a *process* goes through various stages

of *preparation* and *realisation,* and their number may be sufficiently large. The *adoption* and the *realisation* of a decision are the two parts of the process that are identified first and foremost. Within the process of adoption of a decision there are stages of *preparation* of the decision and of its *adoption* as such. Within the process of realisation there are the stages of *preparation* of realisation and *realisation* as such.

These stages may be given in detail and then the entire process of decision-making outlined as follows:

I. Decision-making:
  I.1. Preparation
    I.1.a. Identification, analysis, formulation of problem (1)
    I.1.b. Data for decision-making (2)
  I.2. Adoption
    I.2.a. Formulation of decision alternatives (3)
    I.2.b. Analyses of alternatives and selection of the optimum (4)
II. Realisation of decision:
  II.1. Preparation
    II.1.a. Plan of decision realisation (5)
    II.1.b. Executors (6)
  II.2. Realisation
    II.2.a. Organisation of execution (7)
    II.2.b. Control of execution and correction of decision (8)

These eight stages will be dealt with in the following section.

2. *Adoption of Managerial Decisions*

Identification and analysis of problems. Before getting down to any decision it is necessary to get a clear-cut picture of the problem facing management. Clear formulation of a problem guarantees success. Very often an analysis of the problem shows that the given problem is only one aspect of a much broader problem, or that the real problem is not where it seemed to be at first.

A problem may take the form of an assignment handed down by a higher body or a directive for execution. A problem may arise in the course of practical activities of the manager himself or it may be set before him by his subordinates. Sometimes a combination of these factors leads to one or another problem.

A problem needs first of all to be *formulated* in such a way as to clarify the essence of the problem. It is important for the manager and all his subordinates to have a *single* understanding of the formulation of the problem. It is therefore expedient to work carefully on the written record of the problem and see to it that everyone concerned understand it correctly.

The next aspect: an analysis of the *fulness* of the problem formulation. There must be certainty that the formulation of the problem embraces all its aspects, that it has temporal and spatial limits. If these limits are vague, it will be difficult or impossible to deal with the problem. Vagueness of limits speaks of poor understanding of the crux of the problem.

Besides, it is also very important to analyse the *dynamics* of the problem which, as any other form

of economic activity, constantly develops. A problem is outlined, develops, becomes acute, may become neglected and the time may be lost for any solution. For this reason it is important to notice the emerging problem in time and to keep an eye on it. The best time for solving a problem is when it is *ripe* for solution. This is the moment when the crux of the problem and its limits are clear, when the problem stands out among other current issues. It is also important not to miss the moment when the problem becomes urgent and any further delay in its solution leads to the excessive expenditure of resources.

In antiquity, the allegory of "favourable moment" was a running man with hair growing on his forehead and none on the back of his head. This meant that only a lunge in time would ensure a good grasp on the hair, whereas a moment lost would leave the pursuer slipping his fingers over the shaven neck. The situation with problems is much the same: the correct choice of moment for action considerably facilitates its solution.

Data for problem solution. The next stage following problem formulation is acquisition of data for the solution of the problem. Clear-cut formulation facilitates data acquisition.

The first thing to be ensured is *sufficiency* of data. There is never absolute fulness of information but it is important to see to it that the available data are enough to begin working on the problem. The alternative is to organise acquisition of additional data.

The next aspect is *authenticity* of data. Information may be distorted for various reasons, sometimes deliberately. The sources of information at times release this information in such a form that would serve

their own interests, first and foremost. Hence, it is important to know which way the source of information would be inclined to alter the data. Of course, there are involuntary distortions. These occur, for instance, when the professional level of the source of information does not allow an objective interpretation of events.

It is equally important to estimate to what degree the data *correspond* to the real state of affairs. At the time of data acquisition, the information would be fully in line with reality. The trouble is that reality is a very dynamic factor and its individual elements change at a different rate. This has led to the development of curves of obsolescence. Some data lose up to 50 per cent of their validity within one week, other data suffer 20 per cent obsolescence over a year, still other data may become fully obsolete over 24 hours. It is logical that any decision, based on data which do not reflect the real state of affairs, would be post-mortem.

On launching the search for a decision the manager is obliged to analyse the data in terms of compliance to the real state of affairs and, if need be, regularly to request more specific information. There are several methods to ensure *objectiveness* of information. One of them is to duplicate information channels making sure that these channels do not cross. Another method is to check the data available by repeated data acquisition in full or in part to make sure that initial data are true. The measure of objectivity of the sources of information is also important.

Measures taken to ensure sufficiently full and objective information constitute an important element in the process of decision-making.

Decision alternatives. Whenever enough information is brought in, there begins the next stage—that of formulating alternatives of a solution to the problem. In the process it is always useful to see if there has been any previous decision on the same problem and to attempt to apply the tested solution. There might have been no decisions on the concrete problem, but instead there were similar problems and their decisions. These analogies are a good basis for work. Finally, there is the situation with no analogies for the given problem. However, if the problem is broken down into smaller sections, there are surely to be found solutions or analogies of solutions to these sections.

Whenever nothing of this kind is to be found, then it is necessary to find new decision alternatives. It is important to streamline the procedure of searching for these alternatives. The first thing is to draw up a *list* of alternatives. Then similar alternatives are brought together and, eventually, the *alternatives* of the decision are formulated.

In drawing up alternatives of a decision it is essential not only to clarify whether there has been any previous decision on the problem but also how it has been executed. If there have been no realisation of a decision previously, it is necessary to find out the reason: perhaps the decision itself was wrong, or its realisation has not been organised properly. It may eventually turn out that no new decision is required and the only problem is to ensure the realisation of a previous rational decision.

In drawing up the alternatives it is necessary to discard the bad ones—those which are made in haste or, on the contrary, are protracted. Red-tape

compromise is very dangerous because the draft of the decision is drawn up on the basis of mutual concessions of the parties. Equally dangerous are flexible decisions—those which suit all sides, envisage no concrete obligations or allow for loose interpretation. It is very bad when there are too few alternatives which means that actually only one alternative is seriously considered. With all the backing of data and arguments this alternative overrides all other suggestions.

The proper search for alternatives requires correct organisation of collective work.

Collective work on decision-making. In order to ensure high efficiency of the process of management the manager must organise such a procedure of decision-making which would involve the subordinates, specialists of the department staff, innovation workers, scientists. When organising collective work, it is necessary, first and foremost, to define the participants in the process of drawing up and adopting the given decision, as well as the degree, form and order of their participation. Within the framework of the selected organisational forms it is necessary to outline the relationship procedure for the personnel (divisions) taking part in the work, provide the conditions for creative initiative, ensure proper motivation of the personnel to active work.

Collective forms of preparing decisions acquire growing importance. This is due to the growing complexity of problems in all and every sphere of human activity, which is an objective process. Even the most erudite manager can hardly be a qualified specialist in all spheres of production. All the decision alternatives are prepared by the personnel,

whereas the manager weighs them and selects the optimum decision. Quite often even the assessment of alternatives is done by a special group of experts and the manager only studies their conclusions. This form of activity helps to overcome the knowledge limitations of one person.

Collective preparation of a decision is not merely summing the knowledge and experience of all the participants in the decision-making. The very contacts, exchange of views, discussions stimulate the process of thinking by the participants.

The collective form of preparing decisions has another advantage: it is to some extent a guarantee of efficient realisation which will be carried out by many participants in the preparation. This lays on them responsibility for the entire process of decision-making. Besides, the very process of formulating the problem and the alternatives for its decision promotes better understanding of the crux of the matter. When a person goes over any issue single-handed again and again, his attention is focussed on the same elements of the problem which is not enough to acquire an integrated understanding. If the person pools his ideas with those of others and a discussion starts, he gets additional information and his attention is switched over to new elements.

The theory of management identifies the concept "decision-making group" within the organisation of collective work. This is a conditional term meaning all the participants, including the deputy manager, the division chiefs, front-rank workers, specialists and people invited from outside. The participants are named "experts" which is not the title of their post,

but the role they play in the process of decision-making.

The group must be formed on the basis of the requirements to the end result of its activities and must conform with a number of provisions: the number of experts, the composition, the age of the participants, their professional standards, personal qualities, etc. Depending on the conditions prevailing the manager may lay emphasis on one or another feature of the group. Let us examine these features in brief.

The number of persons invited into the group may vary depending on the conditions and the complexity of the problems to be dealt with. At any rate, the group must include only those who contribute to the efficiency of work. Big groups, as a rule, make it difficult to pinpoint original ideas. Much depends on the composition of the group. Prestige is something that should be shunned when selecting the specialists, innovators, and leading executors. Efficiency is the sole criterion.

The composition of the group may be permanent or variable, i. e., may change as the work proceeds. If the group is organised within the establishment it is expedient to invite a sufficient number of outside specialists to ensure a fresh view on the problem.

The age of the participants in the group is also important. It has been noticed that people of different age groups have different approaches to the search for decisions. Young people are apt to find the solution quicker, come up with original solutions more often than their elder counterparts, but are not always able to soberly assess the difficulties and the potentials. With age people are more inclined

to adopt decisions after carefully weighing the pros and cons, which, as a rule, ensures better coordination of all aspects of production, but calls for more time. The formal characteristics of age should not be exaggerated, of course, and much depends on the personality, his educational background and experience. However, a manager is obliged to keep these factors in mind if he wants to have an efficiently working group.

The organisation of "mixed" groups, comprising different kinds of specialists, produces a good result. Discussions between these specialists, as a rule, lead to the appearance of original and optimum drafts of problem decisions.

The individual qualities of each participant in the group have also to be taken into consideration. The group must be closely knit and its participants supplement each other which is essential in achieving the goals of the group. For instance, an indecisive slowcoach in the group must be balanced by an energetic person capable of working on ideas quickly. Given all this, the professional standards of the participants in the group must be high.

The forms of group work may be different: meetings or conferences with short sessions; sittings of a standing commission examining a specific problem; work in the group parallel with other duties or partial or complete relief from parallel duties. Each alternative has its advantages and disadvantages and it is essential to select the best form of work.

Assessment of alternatives and selection of the best one. After the alternatives have been drafted, there begins the final stage in decision-making—assessment of alternatives and selection of the best one

which eventually is adopted as the final decision. The methods of assessing alternatives may be either expert or quantitative.

Expert methods are based on the knowledge and the experience of the decision-makers. They may follow the lines of intuition or heuristics. The last few years have seen considerable improvement in expert methods, both through better knowledge of economics and management, and also through improved procedures of work. Among these procedures are the well-known methods of brainstorming and the Delphi method. The latter, named after the famous ancient oracles from the city of Delphi, provides for a complicated procedure of expert relationship.

Quantitative (mathematical) methods are applied whenever the problem and the data can be strictly formalised. The following has to be borne in mind when using the models. First, the isomorphism of the model which must reflect reality as fully as possible. Second, the integrity of decisions. Many decisions cannot tolerate fractional replies, which are commonplace in mathematics. For instance, one cannot build three quarters of a hydroelectric power station. Third, it is important to interpret correctly the model-based estimates in terms of management. Fourth, it must be remembered that the precision of estimates based on the most perfect models never exceeds the precision of the initial data.

Assessment of draft decisions often requires ranking of parameters in order to conduct their comparative study on a common basis. It is essential to compare not only the decisions, but also their consequences, including the most far-reaching consequ-

ences. It is also necessary to take into consideration the losses resulting from a protracted decision or a refusal to adopt a decision.

Decision-making is a creative act and calls for firmness and courage and a readiness to enter into conflict with the advocates of other alternatives.

3. Realisation of Managerial Decisions

Plan of decision realisation. The realisation of a decision constitutes the main element in the process of adopting and realising a decision. No matter how important is the preparation and adoption of a decision, it is only its realisation that constitutes the essence of management. Sometimes the stage of realisation of decisions is treated as something that is elementary, standing to reason, and automatic. All attention is therefore focussed on preparation and adoption of the decision. Meanwhile, decisions that are not realised or poorly realised, pile up and this necessitates fresh decisions. Again and again "good" decisions are adopted on one and the same problem. This produces a peculiar style of "raising questions" and adopting "paper decisions" which are not backed by execution. All this creates the harmful illusion of either solutions of problems or allegedly unresolved problems. The firm realisation of the first decision would have done away with the problem.

The 25th Congress of the CPSU pointed out among other things: "Now and again, when some decision is not fulfilled, a second and at times even a third decision is adopted on the same matter. In content they seem to be good. But the point is

that they deal with something that should have already been done. So one cannot help asking: does not the new decision on an old subject turn out to be a kind of concession, and expression of liberalism? Does this not reduce the standard of exactingness?"[1]

The realisation of a decision is as complicated a task as the decision-making. Already in the process of adopting a decision there must be a clear understanding of all the problems of its realisation. The difficulties entailed in the realisation of one or another decision are the factors which tip the scales in favour of simpler, less effective but, nevertheless, more feasible alternatives.

A plan of decision realisation is elaborated at the early stages of realisation. Its important elements are programming, budgeting, and scheduling. *Programming* outlines what is to be done, in what sequence, and in what time. A well-prepared decision envisages the actions to be taken, the logics and the schedule, but realisation calls for some clarification of these factors. The important thing is that several decisions are realised simultaneously and they must all be coordinated since executors and resources are limited.

Programming of decisions makes it possible to move to the next element in the decision realisation plan—*budgeting*. This is a conventional term denoting the process of providing all the means for the realisation of a decision. The resources required for such a realisation are logically classified as financial, material, labour, administrative.

[1] *Documents and Resolutions. XXVth Congress of the CPSU*, Novosti Press Agency Publishing House, Moscow, 1976, pp. 83-84.

Interchangeability of resources must be taken into consideration. For instance, it is important to know whether money can be easily transformed into essential materials and whether it is possible to find the executors. Administrative resources are also important, meaning the authority of the bodies and executors drawn into the realisation of the decision. If the authority of any body is not enough to ensure full realisation of the decision, it is necessary to find new executors or provide new authority to the existing ones.

Schedule planning as part of the plan of decision realisation envisages drawing up of a time-table of execution (of the type of conventional strip chart).

The network diagram is one of the alternative graphs which is a special scheme of ties and sequences in the realisation of decisions. Every act in realising a decision is denoted as "event". An event completes one type of work and begins another. There is an initial event and an end event. The lines linking the events depict their sequence and may be characterised either by the index of time required for the realisation of each event or by the index of expenditure of other resources.

The graph makes it possible to estimate the critical path, i. e., the maximum required expenditure of resources, and also to optimise this critical path.

Executors. The plan of realisation also identifies the executors. The great importance attached to the executors calls for special attention to them in the process of decision realisation.

It is necessary, first and foremost, to focuss attention on the selection of executors: management bodies, their divisions, individual workers. It is essen-

tial to make an assessment of these executors: their number, their experience, knowledge, and qualification. An experienced worker is worth several less qualified workers.

The content of the decision must be *brought to the attention* of every executor and this is done in accordance with the existing order in the system of management. It is much easier to bring the content of the decision to the attention of the executors if the potential executors have participated in the decision-making or at least knew about the preparatory work. In the process of informing the executors about the decision it is often necessary to *explain* the given decision, i. e., to advocate it. An important element in this work is the training of executors both by conventional means of personnel training and special programmes developed precisely for the realisation of the given decision (conferences, courses, seminars, exhibitions, etc.).

In the course of explaining a decision it is important to counteract the rumours which usually circulate whenever there is not enough publicity concerning a new decision. It is therefore essential to inform all the parties concerned about the given decision, otherwise there may be groundless resistance (either active or passive).

It is also important to keep informed not only the direct executors, but also their colleagues, the work collective as a whole, and even members of their families. Various social organisations must also be informed of the decision. Much can be achieved through the mass media and this creates a favourable climate which facilitates the realisation of the decision.

In dealing with the executors it is essential to pay attention to the way they *interpret* the decision. The first thing to do is the formal check of the fact that the executors have been informed of the decision. The next thing is to check how they have understood the content of the decision, to make sure that they interpret it as required.

It must be borne in mind that the executors perceive the decision in the light of their experience, knowledge, the load of work, available resources, etc. This means that even involuntarily they may attempt to interpret the decision in a way as to make its realisation easier. It is therefore very important to ensure control over the correct understanding of the essence of the decision.

Organisation of decision implementation. The execution of a decision is the decisive stage in the process of decision-making. This stage is facilitated by careful examination of the problem at all the previous stages. The better the decision is prepared, the better the executors are trained, the easier it is to execute the decision.

Execution means direct contact with the real object and here there may arise unforeseen resistance and passive attitudes. It is of paramount importance for a manager to identify and apply all the methods of management and, particularly, human leadership. The entire range of methods mentioned earlier in the chapter devoted to methods of management must be applied on an integrated and scientific basis with the aim of achieving the task set and resolving the problem in practical terms.

It is here that the manager displays skill in applying methods of influence, in weighing the pros and

cons of each method, in forming an acceptable set of methods, in taking into account the factor of "getting accustomed" to the method, the specific features of the executors and their response to one or another form of influence.

A manager must also define his own style of participation in the process of decision implementation. This may be general supervision without interference into the work of the subordinates or continuous participation in the organisation of execution, or some intermediate alternative. Everything depends on the executors, on their ability to act independently. In principle, provided there has been good groundwork, the executors must be given enough time for independent work. At the same time it is dangerous to let the overall picture of progress in execution slip out of the range of vision.

Control of execution and decision correction. *Control* is the final stage in the execution of a decision. There may be anticipatory and final attainment control. The former does not allow to determine the results and is not sufficient for final conclusions. The latter provides final deductions but it is already too late for rectification to be made in the process of execution. There may be control over the final and intermediate results.

The system of control must be outlined simultaneously with the plan for the realisation of the decision. There has to be a well-organised feedback, i.e., constant information on the progress made in the execution of the decision. The schedule of reports and their form must be set. This information, on the one hand, must not distract the executor, while, on the other hand, it must give the manager a com-

plete picture of the state of affairs.

There are various systems of control, various technical means of control (files, electronic computers, means of operational ties, etc.).

One of the difficult problems which arises in the process of control is *correction* of decisions. The difficulties entailed in the execution of decisions may be very different: the decision alternative was not the best one; new obstacles or opportunities appeared in the course of realisation, etc. Correction of decisions is closely related to the problem of the authority of the decision-makers. From this point of view it is important to bring the initial decision to its realisation and to take the new circumstances into account when drawing up a new decision. Another aspect, however, must also be taken into consideration: stubborn persistence on a clearly unsuitable decision is detrimental to the authority of the manager.

Whenever correction of a decision is inevitable, it must be done properly. All the corrections introduced into the initial decision must be made known to the executors at a general meeting, for instance. The information may be passed on by different ways but it must reach everyone concerned. Correction of an economic decision calls for the correction of resources—labour, material, and financial. Otherwise the correction is not valid.

Alterations made in one decision may have far-reaching consequences and affect other decisions and this too must be taken into account.

The inertia of the economy and management should be also taken into account as it means that a relatively major correction will be realised over

such a long period that it would be wiser to introduce the changes not as a correction to the initial decision, but as part of new decisions.

Very often, when all is taken into consideration, (resources alterations, consequences for other decisions, etc.), the seemingly wise correction loses its initial attractiveness. There is also the psychological factor to be borne in mind: frequent correction develop a feeling of uncertainty among the executors and prevent them from realising the decision to the utmost of their ability. The old rule that it is "not best to swap horses when crossing a stream" is applicable here in principle and this means that all efforts must be made to ensure the realisation of the initial decision. Alterations and corrections are made only when it is not possible to realise the decision or when the benefits from correction or losses from following the initial decision become too obvious. More often than not, it is quite sufficient to take the new circumstances into account in new decision-making.

CHAPTER TEN

STYLE OF LEADERSHIP AND ORGANISATION OF MANAGERIAL LABOUR

1. Style of Leadership

Manager. The activity of a manager holds a special place within the system of management because by its very nature it is a class, party, and political type of activity. The manager realises the interests and principles of the party and the state. The manager represents the state within the given economic system and personifies the centralised principle in the system of management. On the other hand, a genuine manager is a leader of the work collective capable of identifying, expressing and defending the interests of his establishment. The centralised and democratic principles of socialist management are pivoted on the activities of the manager.

With the help of the managerial personnel and social organisations, with the party organisation playing the guiding role, the manager directs the activities of the managerial staff and the entire economic unit to the fulfilment of state assignments. The manager coordinates and directs the activities of all the functional services of management, embraces the problems as a whole, in all their aspects.

The growing complexity of management leads to the increasing role of managers. Subsequently, the

growing role of managers in production lays greater emphasis on their professional training. A manager in the economy is not only a post—it is a special profession which calls for special knowledge, skills and personal properties. This is a profession that has to be mastered by people with a higher or specialised secondary education, as a rule, and with a marked tendency to managerial work already in the very beginning of their production career. As in any other field of activity, the professional training of a manager only means that he is ready to work. No one enjoys an inalienable right to be a manager. Only conscientious work, effective results, loyalty to the cause of the party, solicitude for the working people and respect for them in combination with managerial training confirm the right of the manager to retain his post.

The basic characteristic of the manager's activities is integration of the efforts of various managerial units in decision-making and realisation of decisions. The manager must be able to identify strategic and promising aspects of key importance and to focuss attention on them. Bottlenecks in production demand equal attention.

The nature of the manager's labour is based on influencing people and this influence is informative. For this reason it is very important for the manager to be able to direct people and to operate information. The present-day manager's labour constitutes part of the activities of the entire managerial staff and fits into the collective efforts of other leaders. The manager's labour is creative, and the system of management, goals, methods, regulations, and procedures leaves sufficient space for personal activ-

ity. It is this field of personal activity, the sphere of initiative that raises the issue of the personal responsibility of the manager and the measure of this responsibility. The more rights the manager enjoys in independent decision-making the greater is the scale of responsibility.

In practical terms the manager's labour embraces three fields of duties: production-economic, social and educational, organisation-managerial. Inasmuch as the manager deals with the production, economic, social, and educational problems in the course of his managerial activities, the latter serve as the main characteristic of his labour. The manager organises the day-by-day work of the managerial staff and, with its help, the activities of the entire work collective. In doing so the manager is obliged to organise his own labour and develop his own style of leadership.

General and concrete styles of leadership. The sum total of characteristic and stable methods of resolving standard tasks and problems in realising the functions of leadership is called style of leadership. A style is a system of constantly applied methods of leadership.

Three styles are identified: individual, concrete, and general. The individual style is the concrete and general styles of the given leadership developed in accordance with the prevailing concrete conditions of work. The individual style is shaped on the basis of the fundamental features of the general and concrete styles.

The concrete style is an expression of the general style at one or another stage in the development of the system of management of socialist production.

The style of leadership in the period of War Communism, the New Economic Policy, the period of industrialisation, etc. had its specific features.

The general style of Soviet economic leadership is based on the fundamental features of the Leninist party style of leadership in all spheres of life of socialist society. A style is formed, it is mastered and applied. A style is nothing static—it develops in line with the development of society, the economy and the system of management. There exist typical and general features of the Soviet style of economic leadership whose development is associated with V. I. Lenin, his theoretical works, practical activity and an example of his leadership.

The Leninist style of leadership is typified by ideological, political, professional, organisational, moral and psychological features.

The ideological and political features of the style are characterised by communist ideology, adherence to party principle, political responsibility, state discipline, close ties with the working people, an ability to arouse their initiative, to lean on their support in matters of management.

The professional and organisational features comprise competence, efficiency in work, scientific approach to decision-making, effective control of execution, personal self-discipline and leadership efficiency.

The moral and psychological features of the Leninist style are characterised by firmness and flexibility, exactingness and solicitude for the subordinates, truthfulness, tactfulness, modesty, etc.

Socialist enterprise is one of the major features in the style of correct economic management. Its aim

is to raise efficiency of social production by actively searching for concrete ways and means to achieve this general task.

Great importance is also attached to such a feature of party style as collective leadership. The ability to work hand in hand with other leaders and the managerial personnel constitutes a guarantee of successful fulfilment of functions by the leader. Collective leadership also means the ability of the leader to lean on the party organisation, to work under its control, to consider the opinion of the Communists and non-party workers, to cooperate with social organisations. Lenin wrote on the subject:

"*Links with the masses*

"To live in *their midst.*

"To know *public sentiments.*

"To know *everything.*

"To understand the masses.

"To know the right method of approach.

"To win the *absolute* confidence of the masses.

"The leaders must not break away from the masses, the vanguard must not break away from the army of labour."[1]

The constant concern of the manager for the development of democracy in his work collective is another important feature in the style of leadership on which depends to a great extent the level of creative activity of the factory and office workers, the results of economic management.

The choice of correct style by the manager is very important because it has direct bearing on the style of work of the subordinates, on the style of perfor-

[1] V. I. Lenin, *Works,* 5th Russian edition, Vol. 44, 1964, p. 497.

mance of the entire management body. By the very virtue of his position, the manager's style objectively serves as a sort of a standard. This further raises the responsibility of the manager for his style, for the development of the Leninist party style features.

Ethics, etiquette and aesthetics are important factors in the activities and style of the manager. The form of greeting, the manner of conducting business meetings, the etiquette adopted with regard to subordinates and superiors, and punctuality promote efficient leadership.

The concrete style of leadership takes into account the specific features of the economic policy at a given stage in the development of the system of management. It is a concrete expression of the general style with regard to a given time and given stage of development.

Individual style. On the basis of the general and concrete styles of leadership an individual style is developed. This style expresses the personal traits of the manager, the specific features of the managerial and production staff working under him, the nature of the situation available, etc.

The individual style is called upon to make maximum use of the strong sides of the manager and to remove the emphasis from those features which are not well developed in the given manager. The individual style must also take into account the specific features of the subordinates and the entire work collective: their educational standard, experience, state of mind, and many other things.

A style adopted for leadership of workers with a relatively low cultural standard would not be effective in a collective made up of highly educated and

erudite people. Some like independence, others prefer to "be led by the hand". Some are worried by possible punishment, others react more to the prospect of encouragement. Some people like to bear responsibility, others prefer to follow precise instructions. That is why one style is more effective in one situation, whereas another style is preferable in a different situation, and all this within one work collective.

An important problem in the individual style of work is the approach adopted by the manager to the sphere of his personal duties. The style of his activity depends to a considerable extent on whether he likes to bear the brunt of responsibility on many issues, or prefers to delegate part of his authority to his subordinates.

The development of an individual style of work is a very delicate art and it is here that the talent of manager is manifest. A correct individual style boosts the authority of the manager and authority is the measure of confidence enjoyed by the manager. The official authority is defined by the post held, but the real authority, the actual influence of the manager on his subordinates depends on him and his style of leadership. The presence of authority makes it possible to resolve successfully many problems of management, to avoid formalism and conflicts. Felix Dzerzhinsky used to say that every manager should work to gain authority and confidence, but not through demagogy, adaptation to the masses or satisfaction of their demands at the expense of the state. The methods used in boosting authority must correspond to the norms of party life and management. It is necessary to oppose the so-called fake authorities.

Consolidation of a leader's authority is an integral feature of the correct style of leadership. But it is important not to suppress or hamper the initiative of the deputies and subordinates.

Both the general and individual styles of management develop along with the entire system of management. The style is most heavily influenced by the goals and methods of management. For instance, the emphasis laid on the economic methods and the formation of production associations as basic production units with broad powers place clear-cut requirements to the style of leadership.

The style is not only developed by the leader, but, in its turn, models the leader. A leader that has been exposed to the dominating influence of one style gradually becomes a carrier of this style. Such leaders strive to preserve the style that has ensured their promotion and to which they have got accustomed. For this reason the transition to a new style always calls for changes in the performance of the given leader, efforts to raise the professional standard of the personnel and, sometimes, promotion of new types of workers. This is a very important aspect in the practical application of style.

2. *Organisation of Labour by the Manager*

Tasks of scientific organisation of manager's labour. The efficiency of the manager's activities depends not only on the consistency of a correct individual style, but also on the organisation of his labour. The specific functions of the manager and the creative nature of labour hamper the organisation of the manager's activities. However, there is a

number of scientific principles of organisation of labour which can be applied to the manager's activities, provided the manager strives for organisation. It should be borne in mind that different functions in the activity of the manager are susceptible to organisation to different degrees, depending on their content or the influence of external factors.

The performance of well-known leaders shows that the success of their activity was associated to a considerable extent with a clear-cut system of organisation of their labour which they practised over a long period.

The organisation of the manager's labour is closely linked with the organisation of the entire process of management in the subordinated staff and has bearing on the success of management as a whole.

If the manager is constantly preoccupied with day-by-day matters, succumbs to the chaotic course of events and fails to control his own time, he gradually loses the ability and opportunity to differentiate between major and secondary problems, to discern a fundamental issue. All the decisions taken by such a manager boil down to the extinguishing of local conflicts and elimination of failures. Such a manager actually performs the role of dispatcher and thus fails to perform his more important and direct duties. He leaves aside long-term problems, fails to give due consideration to crucial issues and this, in its turn, leads to an avalanche of current problems which keep him permanently busy.

Other leaders attach greater importance to long-term and crucial issues. However, their labour is so irrationally organised that they hardly have the time to go to the projects under their authority, to meet

subordinated managers and other personnel, to raise their own professional standards. As a result, the long-term problems are neither managed in the best way.

Sometimes, the shortage of time, which is the result of poor organisation of labour, forces the manager to extend his working day to 10, 12 and even 14 hours. This means there is no time left for self-education, for the family, for recreation, sports, etc. This excessive load can lead to a physical breakdown.

The organisation of personal labour is certainly not the private concern of a manager. A disorganised working day, constant preoccupation of the manager, endless campaigns and rush work even in affairs which require deliberate and systematic solution, create a corresponding style of activities in the managerial staff and this leads to a waste of time at all levels. No one knows when the manager is available and hence everyone strives to see him at the first opportunity with both urgent and less urgent matters. No one has any assurance that the manager will find the time to see into the problem and therefore the issues are not brought to the attention of the manager but "pushed through". No one knows when one is expected to report on the work done and people gradually lose interest in planning their activities. Thus arises the boomerang effect of wasting time which stems from the manager and returns to him making him waste a lot of time on arranging all sorts of minor problems.

There are two main spheres in the organisation of the manager's labour: the manager's organisation of his own (personal) work and of his work with the subordinates (contacts). The first sphere embraces

planning and distribution of the manager's time. It is important for the manager to organise properly the process of handling information, particularly written documents. The organisation of the manager's labour is facilitated by various engineering facilities—means of communications, documentation copying, data storage. There are specially equipped premises, standard rooms, offices, etc. Other important elements in the organisation of the manager's activities are self-education, advanced training, recreation and everyday life. They all influence the general activities of the manager. The second sphere embraces the organisation of contacts between the manager and the managerial staff—both individual (personal meetings and conversations) and collective (conferences, meetings).

Time planning and distribution. The working time is one of the basic resources at the disposal of the manager. Efficiency of his labour calls, first and foremost, for the rational utilisation of this resource.

Efforts in this field are based on a detailed analysis of time expenditure which should be conducted regularly. The object of analysis is a period of time with a recurrent range of activities: a working day, a week, a ten-day period, a month. The time fractioning depends on the purpose of the analysis. A fifteen-minute or half-hour precision is usually sufficient. The data accumulation for analysis may be the responsibility of the secretary but it is necessary to check the records to verify their authenticity. The manager himself can also do the time recording for the sake of verification.

One of the results of this analysis is a list of day-by-day activities of the manager. The data accumulated over several sessions of analyses enables the man-

ager to get a better idea of what he is in fact doing. The analyses also provide a clear picture of time expenditure on the basic activities and serve as a basis for estimating time rates. A detailed analysis helps to identify time spent on activities within the scope of duties and outside. Repeated analyses serve as the basis for plans of raising efficiency of time utilisation.

Planning of time resources begins with the list of activities for one or another time period. Planning starts with big time periods (five-year period, one year, three-month period) and goes down to plans of activities for one week and one day. It is a usual shortcoming in the activities of the manager that priority problems for the current year are allocated insufficient time in day-by-day planning.

In planning and distributing the overall time resources it is expedient to classify activities in terms of recurrent and non-standard work. In the first group it is possible to identify those matters whose realisation can be clearly registered on the calendar (reception hours and conferences of superiors; reception hours at the office; meetings of the leading managerial staff; regular meetings with department chiefs; mail; regular telephone calls). The more activities that are fixed, the more stable is time planning.

A time expenditure diagram is drawn up at an establishment for all forms of activities and this plan should be known to all concerned. The manager and the subordinates know precisely where and what every worker is doing.

In order to ensure stability of plans it is necessary to provide for reserve time for one day, for a week, etc. It is also necessary to leave "open" periods which may later be filled by urgent matters so as to preserve

the basic work schedule and ensure the realisation of the priority tasks outlined in the annual or five-year list of activities.

Planning may be conducted with the utilisation of such technical means as year-books, weekly and daily calendars, etc. It is necessary to constantly select the most suitable forms of plans.

The so-called daily matters demand special attention because this kind of work has a tendency to absorb all other spheres of activities. One of the efficient ways of arranging this work is to have the day-by-day assignments recorded simultaneously in the calendar, personal and thematic sections of the card index. This makes it possible to control fulfilment of the assignment both in terms of time and executors. The calendar section has a cell for each day of the month; the personal section has a cell for each worker with whom contact is maintained. Cards with the entry, e. g., "communication concerning additional transport" are placed into the cell corresponding to the fifth of the month, to the cell marked "Petrov" (person responsible for transportation problems) and into the thematical section "fulfilment of delivery assignments". If the work is fulfilled the cards are removed, if not—they are moved to another calendar cell.

It is useful to arrange the plan-diagram in such a way as to leave space for notes on the fulfilment of the assignment (whether it is fulfilled fully or partially, according to schedule or not, etc.). Short standard notes in the plan itself on the fulfilment or non-fulfilment of assignments allow the secretary to analyse time expenditure on the basis of the plan, without resorting to special investigation.

Information and technical means. Contacts with people constitute the main element in the activities of a manager. But it is also essential for the manager to make efficient use of documents and various technical means.

A carefully planned system of registration of documents is essential to help the secretary place new documents and find the ones that have been examined. It is even more important to determine which documents and in what form are to be taken to the manager. An incoming stream of documents from various departments is inevitable. This means that the manager may overlook something important, particularly if he has to sign a big number of papers. It is therefore recommended to introduce a system of abstracts on each document which enables the manager to "digest" a big number of incoming and outgoing documents quickly. There must be a special order for urgent documents.

The telephone and other means of communications hold a special place in the work of the manager and it is important to analyse one's own methods applied in using these technical means. It happens that a manager who organises his contacts according to plan spends a lot of time on chaotic telephone contacts. The telephone conversation style has to be improved: without preliminary agreement a telephone conversation should be limited to three minutes; with preliminary agreement the time and duration of the conversation must be stipulated. In principle, a serious conversation calls for personal contact and if the telephone call is clearly protracted it is best to appoint a personal meeting.

Various types of intercom and conference connec-

tion are very helpful and make it possible to involve several workers into a conversation. The manager would find it useful to have a dictaphone, particularly in making the rounds of the establishment, in travelling and elsewhere where a stenographer is not available. The last few years have seen the development of automated control systems and the appearance of displays in the offices. The manager finds it increasingly important to communicate with the storage device of the automated control system by means of the display, particularly if there are well-organised information and inspection systems.

3. Organisation of Official Contacts

Official contacts. Direct contacts between the manager and his subordinates, between managers, and also between the manager and his superiors are called official contacts. They constitute the essence of leadership and realise the style and methods of management.

Official contacts are the official procedures of state management. Easy accessibility of the manager does not promote a business atmosphere and often leads to familiarity and clannishness. The manager finds it difficult to conduct a business conversation and the visitor is not inclined to speak out frankly with an endless stream of workers coming and going. Some of the personnel develop a habit of sitting in the manager's office. This calls for a certain degree of formalisation of contacts in terms of time and people. There must be a system preventing visitors from entering the manager's office if there is another visitor there (particularly during reception hours). There

must be as few as possible persons given the right to enter the office without warning. Visitors must be accustomed to seeing first the deputy directly concerned with the issue. This helps to create a business-like atmosphere.

Even if there is free time, the manager should not receive the visitor immediately, but appoint the time. This accustoms the visitors to plan their contacts and not to try "to catch" the manager. At the same time, any staff worker must be able to see the manager within a reasonable time and with a simplified procedure. Inaccessibility of the manager may be detrimental to the interests of work. It leads to loss of information and the workers, failing to see the manager, seek other ways of resolving their problems.

The rule to be followed in business contacts is that a socialist leader must be available not through the chaotic system of "open doors", but through a well-organised system which guarantees availability. What is needed is an arrangement under which all those who need direct access to the leader would have a fixed visiting hour and confidence in the reality of the adopted procedure. The frequency of the visits and their duration may be established on the basis of past experience and the subject to be discussed.

The secretary or the manager's assistant plays an important role in planning these contacts, in ensuring a combination of good will, discipline and efficiency. They are the ones who often have to decide how urgent a visit is, to revise the schedule, to inform those concerned of the changes, etc. For this reason the manager should study thoroughly the style of work of his subordinates and strive to ensure a correct and efficient performance.

Individual conversations with subordinates and conferences are among the important official contacts.

Conversation. The content, purpose and result of conversations are diverse: this may be acquisition or transfer of data, acquaintance with the worker, creation of an atmosphere of respect and confidence, assignment, reprimanding. Conversations are held when a person takes up employment and in the normal course of administrative management. It is part of leadership talent to be able to conduct such conversations. People who were fortunate to meet Lenin remembered for long even the briefest of conversations with him.

It is recommended to conduct a conversation according to plan, which depending on the content can be simplified, but its basic elements are as follows.

It is necessary to identify clearly the purpose of the conversation (to pass on information, to reprimand the person, etc.). The next thing is to outline the procedure of the conversation: what to begin with, the manner of conversation, the possible alternatives, etc. It is expedient to plan the time factor: how much time to allocate for the conversation, when to hold it, when to inform the invited person of the conversation and its subject (to give time for preparation).

The place where the conversation is to be held is of importance. The office is conducive to the official atmosphere, although it is sometimes more convenient to hold the conversation in the office of the subordinates (the manager is not disturbed by telephone calls and the subordinate has all the material at hand). Some conversations should be held in big office rooms so that the other workers could hear

them. Conversations outside official premises, particularly at home, are undesirable as a rule: they create an atmosphere of selectiveness, unnecessary secretiveness, etc.

In the course of the conversation it is important to create an atmosphere that would correspond to the topic discussed. The manager must not prompt the answers—his questions must be as neutral as possible so as to have a clear idea of the stand taken by the subordinate. It is necessary to check whether the participant in the conversation understands correctly the questions placed before him. It is wrong for the manager to be acquiescent because the invited subordinate might gain the impression that he has guessed the manager's point of view.

In the course of the conversation it is essential to draw a line between the facts and the opinions and wishes of the participant in the conversation. The source of the facts should be identified. As for opinions, it is expedient to inquire about arguments in favour of the expressed opinion and also about the opponents and their arguments.

It is useful to ask questions of the type: where would you begin if the assignment is placed in your charge? what prevents you from acting now? There must be assurance that the interlocutor is aware of the problem as a whole. If he backs from replying a question that he is expected to reply, the manager should register lack of competence and call him to answer.

Conversations call for an ability to listen to the interlocutor. It is a very dangerous habit to listen with half an ear, to rush the interlocutor by speaking out his thoughts. The thing is that he might have

wanted to say something different. It is very useful to repeat the key moments in the conversation.

It is important to finish the conversation in time. It must be summarised, another meeting appointed if necessary, the planned actions or ideas must be expressed. After the conversation it is useful to make notes on its basic ideas and to keep these notes as reference for new meetings. There must be agreement with the interlocutor concerning the utilisation of the results of the conversation.

Conference. A manager devotes a considerable part of his working time to various conferences and meetings either called on his initiative or which he attends by invitation. The problem of raising the efficiency of this kind of work is very important both in terms of saving time and in terms of intensifying managerial efficiency.

The first thing to do is to analyse how essential a conference is. Perhaps a number of conversations or telephone calls would do? It may also be sufficient to assign a worker with the task of circulating a document (a report, a questionnaire, a draft resolution) and collecting written comments. The stage of readiness of the conference is also crucial. If it is expedient to hold a conference then it is necessary to clearly define its result: a resolution, a draft resolution, clarification of the problem, pooling of views, etc. Depending on the ultimate goal the agenda of the conference is drawn up. The topic and goals of the conference are the basis for identifying the participants—those whose presence is compulsory and those who would benefit from attending the conference. It is necessary to find substitutes for those who would not attend for one reason or another.

The next stage in preparing the conference is: drawing up and circulating information to the participants concerning the subject and goals of the conference, the time and place of its convocation, its procedure and, what is very useful, its duration. The circulated information also includes a list of participants, the draft resolution and other data. It is important to list the material which the participants are expected to look through in their offices before the conference and which to take to the conference. The success of the conference depends to a considerable extent on this preparatory work.

The procedure of the conference comprises a report (provided it has not been circulated), question time and statements. It is recommended to begin the discussions with the junior officials and call on the more senior and authoritative speakers towards the end of the conference. It is necessary to stick to the time-limit and if the conference is not over by the time set it is best to call another meeting rather than exceed the time-limit.

The chairman must actively direct the course of the debates, prevent deviation from the topic, summarise intermediate results, note the stands that had been clarified, focus attention on unresolved issues, formulate alternative stands, etc. If the conference is expected to be a complicated one the chairman would do well by drawing up alternative scenarios of the conference and holding preliminary discussions with the participants.

The secretary keeps the minutes and circulates them to the participants in the conference and other interested parties. The secretary (or a special group of workers) finalises the draft resolution and circu-

lates it. The circulation of conference documents accentuates its successful completion. The chairman's concluding remarks serve the same purpose and it is recommended to sum up the results of the conference (what has been done and decided, what has not been achieved and what must be done in the future).

The manager must take a firm stand with regard to those who were late or failed to turn up at the conference, e. g., to announce at the next conference the measures taken against those who had failed to appear previously. If there are many absentees from the conference it is wiser not to wait for them but to appoint a new date for the conference and then to make public the measures taken against those responsible for the failure of the previous conference.

It is customary for a manager to deliver a paper or make a speech at a conference. In preparation for this it is necessary to clarify a few points: the purpose of the address (to convince, to explain, to encourage, etc.), the type of address (informative, agitational, etc.). The preparation for the address includes a plan, an abstract, examples, tables, diagrams, etc. The success of the address depends to a considerable extent on the clear understanding of who the audience are. The speaker must be sure that he will be understood properly, that the listeners will be interested in his address. It is useful for a manager to analyse each conference. Did he achieve his goal? What was good at the conference? Where did he fail? What is to be done in the future?

Improvements in the organisation of leadership labour and constant analysis are important factors ensuring higher standards of leadership and greater efficiency.

CHAPTER ELEVEN

MANAGERIAL FACILITIES AND AUTOMATED CONTROL SYSTEMS

Various facilities are applied in the process of management—from the simplest implements to modern electronic computers. A clear understanding of the managerial facilities, their composition, potentials, fields of rational application helps to choose correctly the set of facilities for mechanisation and automation of managerial labour, to raise efficiency of management.

1. Engineering Means of Management

Engineering equipment for managerial labour. The application of engineering means in management began much later than in the sphere of production. Until recently, the predominant growth of managerial labour as against the scale of production was compensated mainly by increasing the number of managerial staff. Specialists have estimated that the continuation of this trend would involve the entire able-bodied population into the sphere of management.

Lacking engineering facilities the system of management may fail to keep up with the pace of modern production. This means that from being a factor pro-

moting production development it would become a factor hampering production.

In spite of all the difficulties and diversity of managerial labour, there exist broad opportunities for the integrated utilisation of engineering means of management. This is based on the existence of common technological operations in processing managerial data in various types of managerial labour.

There are several stages of data processing in management. At the stage of data acquisition, storage and transfer the managerial personnel perform mainly technical work. From the point of view of its role in the process of management this is auxiliary work. This stage is marked by the large-scale recurrence of simple operations.

At the stage of analysis and interpretation of managerial data, it is logical operations that dominate and this calls for more qualified labour. The development of new information connected with decision-making calls for creative labour.

Engineering means may be applied at all stages of data processing. However, their potentials are different when applied for the mechanisation of these types of labour. Creative labour in decision-making can be mechanised to a lesser degree but the use of various managerial facilities speeds up the search for optimum alternatives. Logistical processing of data which is essential for decision-making can be mechanised to a greater extent. The technical processing of data, in principle, can be fully mechanised and automated already at the present stage.

The above-mentioned types of managerial labour appear in various ratios in performing concrete functions and operations in the process of management.

For instance, while carrying out the function of planning the ratio of logical and creative operations is relatively greater than in realising the function of accounting. In the realisation of identical functions this ratio depends on the level and nature of the object of management.

In terms of purpose the managerial facilities are divided into groups in accordance with the basic stages of data processing in the course of management. We identify, in particular, the object of labour (information carriers) and the means of labour (means of data processing). The latter are subdivided into equipment and instruments of data handling (simple instruments and machinery).

Information carriers. Management deals with information, while managerial facilities deal with a wide range of information carriers which are used by the managerial personnel and managerial machinery.

The carriers which are available to direct perception by the human organs of sense (the sight and hearing, first and foremost, which account for 95 per cent of all the information received by people) are subdivided into "unrecorded" (sound, light) and "recorded", which embrace paper (writing paper, special paper, cards) and other carriers of information (metal, plastic, special coatings for registering information—luminophors, thermoreactive coatings, photosensitive coatings, etc.).

The use of "recorded" carriers of information is important because in modern production the system of indirect contacts of workers in the process of general activity supplements the direct ties, and it is here that "recorded" information plays a major role.

In managerial machinery, which utilises codes that cannot be directly perceived by the human senses, there are machine carriers of information: counter wheels, materials with magnetic coating, materials for plastic impact, stencils, templates, selenium plates, cliché, electric current, electromagnetic oscillation, light, radio valves, transistors, modules, etc.

Equipment for managerial labour. The specialisation and growing number of management bodies, as well as the task of rationalisation of managerial labour have raised the problem of designing special administrative buildings, the rational distribution of premises, the furnishing of these premises to ensure normal working conditions.

An office building, for instance, which many people visit in the course of a day, must be spacious with a big number of entrances, lifts, galleries, lounges, etc. The building of an establishment where the personnel maintain a high degree of cooperation, can have many storeys but the departments and services should be located from floor to floor in accordance with the stages of work with documents. The size of the offices is important. The last few years have seen a transition from small rooms in favour of the so-called "open landscape" system, which means a big and well-planned premise providing working space for relatively big groups of functionally interrelated workers.

The intensive introduction of machinery into management places new requirements to the design and construction of office buildings.

Simple implements. Simple implements, such as pencils, pens, abaci, ledgers, card indexes, various graphs, track diagrams, dispatcher and control boards,

etc., play an important role in the complex of managerial facilities.

The development and wide use of modern facilities alter the range of application of the simple implements, transforming them in many cases into auxiliary means for various data processing operations. But very often it is these simple implements which ensure high labour productivity and efficient management. An electronic computer takes seconds to perform a calculation and minutes to print out the results. However, without a good pair of scissors and glue it might take the better part of an hour or even more to get the summary tables together. Much of the efficiency from use of sophisticated hardware may be nullified due to the absence or incorrect application of the simplest office implements.

Handy, practical, simple and efficient implements and means are as important and essential in managerial labour as the most sophisticated items.

Managerial machinery. Under present conditions, machinery plays a major role in managerial facilities. This class of engineering means is divided into groups in accordance with the stages of data processing in the course of management. Accordingly we identify means of acquisition, recording, storage, processing and transfer of data.

Acquisition and analysis of initial data is a labour-absorbing process. Today, there have been developed a number of devices and machines capable of ensuring mechanical and automatic acquisition, transfer and the remote display of initial data: measuring instruments, sensors, counters, closed-circuit TV, tableaus, dispatcher panels, and so forth.

There is also a group of machinery and devices

for recording and storing data. Their appearance has been due to a number of specific features in the process of management. From the point of view of cybernetics these machines and devices are of two types. One type of control system reacts to incoming information immediately. This is so-called real-time management. But at the same time, there is information which is accumulated within the control system, processed and only then used in management. Due to the time lag between the acquisition of data and its utilisation, it is necessary to preserve the information, i. e., it must be recorded. The crux of the problem is not in the time lag between the acquisition and utilisation of data. The process, for instance, of decision-making and the corresponding process of data conversion require the participation of many workers of different qualification. The initial data, therefore, goes through one or another range of workers and is only then utilised in decision-making. Information that is recorded on a permanent carrier is best of all adapted for this purpose. The machinery and devices of the second type serve for this recording of information.

Currently, information is stored mainly on paper carriers and this kind of recording is called documentation. The documents are compiled not only by special operators, but also by engineers, technicians, foremen. This work is done manually and also with the help of typewriters, stenographic, addressing and other machines. There are also automatic means of recording but these are mostly not independent devices, but units of other machines, electronic computers, first and foremost. There are independent devices (dictaphones, photo and cine cameras, etc.)

which record information not on paper as a document, but on other types of carriers.

An ideal solution to the problem of information would be a device capable of printing out a text that is read out irrespective of the pronunciation, timbre of the voice, etc., and also a device capable of reading out information from a carrier in the initial device. This all-purpose device would have a screen for displaying the recorded text. The development and massive application of portable devices of this kind is a matter of the future. The present problem is to improve existing means and ensure their rational utilisation.

The data acquired and recorded in documents follows various channels. It is usual for one and the same document to reach several workers in the process of management so as to ensure their coordinated actions. For instance, an assignment to some kind of work must be simultaneously delivered to the storehouse to have the material issued, to the tools store to have the tools issued, and so on. With good organisation of management several copies of one document are prepared and circulated to all those concerned. A circulated report prior to the conference saves time and makes it possible to begin debates immediately. If a draft resolution is circulated in good time it also facilitates success of the conference. The machinery used for duplicating documents may be classified in two groups: copying machines and duplicating machines. The copiers are used to produce a limited number (a few dozen) of copies, more often than not directly from the original document. The duplicating machines are used to produce a practically unlimited number of copies not directly from

the original but from a special intermediary carrier —template, stencil, tracing paper, cliché, etc.

In present-day management there is the pressing problem of data transfer between the managing and managed systems and also within the system of management. The following facilities and methods of information transfer are used: facilities for the transfer of "recorded" carriers of information (post, telex, phototelegraph, pneumatic mail system); facilities for direct communication of workers (telephone, radio, selector call); means of signalisation (call, emergency, alarm). The telex has developed into an important communication facility in management because it ensures documentary precision of the transmitted text and a copy for the sender. Besides, the telex makes it possible to use special accessories for recording the transmitted text on punched tape for further processing by electronic computers and other machinery.

Electronic computers. Decision-making is the all-important thing in management. The process of decision-making incorporates the logistic processing of data as its basic stage. Some of the processes in the logistic processing of data can be formalised, i. e., reduced to one or another set of mathematical operations.

The application of computers in management is necessitated by the very nature of managerial information which consists, to a considerable extent, of all sorts of quantitative data. Besides, much in managerial activities is connected with plain arithmetical processing of data.

Industry is currently producing several hundred models of computers which may be divided into two

basic groups according to the method of data processing: analog computers and digital computers. The latter, in their turn, are subdivided into key-board computers, punch-card computers and electronic computers. The first two types remain the basic means of mechanisation of managerial labour.

Key-board computers are subdivided on the basis of their use into summing, calculating, computation-tabular, and computation-textual. This type of machinery performs the basic arithmetic operations, and there are also models which accompany the calculation results with text.

Punch-card computers constitute a whole system of mutually inter-related units for the consecutive processing of data. Their main advantage over key-board computers is that punch-card computers mechanise the process of data classification and calculation of grouped numbers.

The development and application of digital electronic computers marked an important breakthrough in the development of data processing devices. Electronic computers are highly efficient in processing economic data.

A notable feature of electronic computers is their unconditional and conditional transfer. The unconditional transfer means a fully automatic and consecutive fulfilment of arithmetic operations. The conditional transfer means that the electronic computer selects the operation to be fulfilled depending on the results of the preceding operation. For instance, in the case of a positive result, the electronic computer continues calculation, whereas in the event of a negative result it stops. The existence of transfers enables the electronic computer to fulfil automatically a

whole set (programme) of calculating and logical operations and thus realise the process of data handling from beginning to end.

The parameters and design features of various types of electronic computers differ over a wide range. The following parameters are important when using an electronic computer for production management:

—the structural elements used in the computer and their performance reliability;

—the speed of response, i. e., the speed with which the computer performs calculating and logical operations;

—the capacity of the on-line storage and the external storage and also their information rate;

—the type and rate of the information input-output device;

—the area occupied and power consumption;

—the service personnel;

—the cost of the set of equipment and the sum of maintenance expenditures per time unit (hour, day, year).

The tremendous rate of electronic computers is effective only when all other problems of information processing are resolved on an integrated basis. If the rate of the communication facilities is low, for instance, the effect from using electronic computers will be lost to a considerable extent. For this reason the problem of integrated utilisation of electronic computers is extremely complicated and pressing.

2. *Organisation of Facilities Application*

Approach to mechanisation of managerial processes. In introducing engineering facilities into the sys-

tem of management and mechanisation of managerial processes it is necessary to take into account the level of labour division and the forms of cooperation in the individual elements of the system, the traditional structure of management and prospects for its improvement.

The degree of mechanisation and automation of various functions of management depends on the level of engineering achieved and a number of other objective factors. Accounting, for example, may be fully automated. Day-by-day management and supplies open great opportunities for the application of machinery. In the field of planning, particularly long-term planning, the means of mechanisation may be widely applied at various stages of work, such as preparation of data, calculation of alternatives, etc. The function of dispatching (in its present sense) cannot be realised without engineering facilities. The function of management proper is realised with only some application of these facilities.

It should be noted that at various levels of management the mechanisation of similar functions differs. The day-to-day management of an enterprise requires local and central dispatcher panels which collect information and make it possible to register deviations (and their causes) from the given parameters of production. An association has no need in such dispatcher panels. Instead, an association requires other engineering facilities, e. g., a telex for routine communication with the ministry.

It is important for the techno-economic indices of the means of mechanisation and automation of managerial labour to correspond to the requirements of the given section of management, the complexity of

the tasks to be solved, the volume of data to be processed, etc. The application of highly sophisticated machinery is not always a guarantee of maximum efficiency in management. The manager should first of all compare various alternatives of mechanisation of operations and types of work. In dealing with the problem of mechanisation it is necessary to weigh the role and importance of one or another section of management, to clearly understand whether it is a bottleneck or a key section.

One of the main purposes pursued by mechanisation and automation of managerial labour is improvement of the system of management, achievement of great efficiency with a reasonable cost-benefit index.

Forms of organisation of using management facilities. The organisation of using management facilities may be centralised, decentralised, and mixed. With a centralised form of organisation, the management facilities are concentrated in one specialised division and used to service the entire management staff (body). For example, the typewriting bureau performs all typing work, the duplicating centre performs all duplicating and copying work, etc. Under the system of decentralised distribution, the facilities are located in the structural divisions of the management body. In this case they can be used individually by the personnel or run by special operators within small structural cells. Under the mixed form of organisation some facilities are operated on a centralised basis, while others are used by individual workers or divisions of the management body.

There are many factors affecting the choice of the form of organisation for using management facilities.

In the mechanisation, for instance, of calculating, planning and other computation work, the key-board computers are usually operated either on a centralised or decentralised basis, whereas electronic computers are used, as a rule, on a centralised basis.

In those cases when an enterprise or a management body cannot ensure full utilisation of this sophisticated machinery, it is expedient to organise servicing other organisations and establishments on a contract basis, to rent the facilities, to set up machine calculating and information computer centres to service groups of enterprises, etc.

With the fleet of management machinery growing and a subsequent decrease in the number of managerial sections with manual operations, the efficiency of managerial labour depends to a considerable extent not on the scale of machinery application but on their utilisation in those sections where they produce the maximum effect. Practical experience shows that the most progressive trend in management machinery is its integrated utilisation. The most advanced form of integration is to aggregate all the machinery into a single technologically interrelated system of data processing.

The automated control systems are the supreme form of integrated utilisation of management machinery. These automated control systems differ from other systems by the fact that they embrace the entire process of data handling—from acquisition to practical application of the calculated results.

Influence of engineering facilities on the system of management. The engineering facilities influence most of all the technology of individual operations and the organisation of managerial labour. There are also

substantial changes in the managerial personnel in terms of professional structure, qualification, functions performed and forms of labour division.

The introduction of management machinery does not necessarily mean a reduction in staff, although this is desirable. Machinery brings about, first and foremost, a structural and qualification shift in managerial personnel. For instance, mechanisation of accounting operations reduces the number of personnel engaged in such simple and mass operations as acquisition and initial processing of data, reduces the requirement in certain categories of qualified managerial workers. However, along with this there appear new professions.

The introduction of engineering facilities relieves managerial personnel from auxiliary technical operations and broadens the range of creative duties. At the same time there is a growing demand for higher professional standards. Engineering facilities lead to greater division of labour in management processes, provide better organisation of individual operations, reduce waste of time and raise efficiency of mental labour. All this taken together raises productivity of managerial labour and the efficiency of the management system as a whole.

The further concentration of machinery used in the sphere of management, its integrated utilisation create the prerequisites for a basically new form of cooperation of managerial activities at various levels and improved technology of carrying out operations in management. The new technology should be based on a system of machinery around which corresponding divisions, management bodies and personnel are grouped.

Management facilities may be selected and utilised for the fulfilment of certain functions with traditional methods. With such an approach there is some improvement and greater efficiency in the realisation of these functions, although the content of the latter is not subject to any radical change. A more progressive practice is to design and introduce a management system at any given section as an integrated whole combining the most progressive forms, methods and structure of management bodies and also the entire range of machinery ensuring the efficient functioning of the given system as a whole.

3. Automated Control Systems (ACSs)

Concept, composition and types of ACS. An automated control system is a set of organisational and economic methods and facilities which ensure the acquisition, storage, and processing of data with the aim of achieving the basic goals of management. In its more advanced stages the automated control system is so closely related to management that the two can be regarded as one. The very concept of *automated* defines this system as man-machine system, i. e. the ACS is an instrument of management which helps the leader to manage national economic objects better and more efficiently.

It is customary to identify several classes of ACSs depending on the objects: process control system; management information system; ACS of industries; ACS within the system of functional bodies. Plans for the future envisage the merging of all the ACSs into a unified system of data acquisition and processing for management on a national scale.

Irrespective of the type of ACS, each one has the following basic components:

—an organisational and economic component which embraces the structure of the ACS, its place within the management system, functional ties, and so forth;

—mathematical one which incorporates the models of production and management, formalising processes of data handling, languages and systems of programming, etc.;

—engineering one, including a package of management facilities and their integration within a system and methods of their utilisation;

—managerial personnel, a system for its relationship with the ACS and the structural divisions of the object of management.

Creation of ACS. While the current trend in the sphere of production is full automation and the creation of completely automated enterprises, full automation of the economic management system is a matter of the distant future even in theoretical terms. But the participation of man in the automated control system is essential.

One of the trends towards the development of various ACSs is connected with the automation of production processes; another trend is connected with the specific features of economic and mathematical models.The modelling of individual sections of management of an enterprise (e. g., techno-economic planning, accounting, day-to-day schedule planning, the gradual involvement of one section after another) leads to the task of developing an algorithm for the entire management process, one that would incorporate individual sections and their algorithms as com-

ponents. The broader electronic computers are used at enterprises, the more work is performed by the computing centre, the stronger is the tendency to develop a general algorithm and, subsequently, automatic control.

At the same time, there is another trend: to go over from the algorithms of planning (or any other managerial activity) on the level of enterprise to the algorithms of the same kind of activity on the level of an economic district, industry, country. Such a generalised algorithm of a whole sphere of management also calls for the creation of an automatic control system.

Electronic computers are used for the automation of managerial activities jointly with other management facilities—automatic tracer machines, means of communications, etc. The greater the number of such machinery and the more they are involved in management, the more pressing is the task of ensuring their coordination with electronic computers in terms of capacity, information code, mode of operation, etc. The joint and coordinated performance of all these machines is possible when they are linked up into one system. The electronic computer is the decisive unit, but nevertheless only a unit, of this system.

The above-mentioned makes it possible to outline the basic features of an automated control system. First of all, it is the link-up of various machines into a single system. It is also integrated management—either automation embraces all the basic types of managerial activity within the given section, or the automated control system covers all the sections of some managerial field (planning, accounting, etc.).

And finally, the application of electronic computers makes it possible to realise algorithms with the participation of man, although all the work processes are performed, in the main, automatically.

In terms of engineering design the ACS incorporates three groups of devices. Initial data are produced by sensors (automatically) and various counters (more often than not with a remote control panel). Data from such counters are introduced manually into the data processing system. The existence of this problem of initial data input hampers the development of ACS. The second element in the engineering part of the ACS (otherwise known as the centralised computer system—CCS) comprises various means of communication, which transfer data directly to the electronic computer or to the shop or other data storages. From there, the data are transferred to the computer centre either by schedule or in response to a computer centre call. Inasmuch as man remains an essential participant in the ACS, the means of communications used are not only those which exist between the machines, but also those which are used by people. And finally the third element—the electronic computer (one or more) constitutes the main unit of the CCS. The electronic computer is fitted with various accessories for the output and transfer of data and orders to management bodies.

Economic and mathematical modelling. Theoretically speaking the economic and mathematical models may be applied outside of the ACS. In reality, however, they are hardly possible without electronic computers. These models are mostly used in various ACSs (of enterprises, for planning, supplies, etc.).

The basic idea in modelling is to set up something that bears semblance to a real system and displays the main features of the original. These may be physical models analogs (wind-tunnel testing of objects), graphs (maps, schemes and various diagrams), and also mathematical models which characterise the real system by means of symbolic equations or inequalities.

The mathematical models of an object may differ considerably in terms of dimensions, degrees of complexity and nature of the body of mathematics used. For an equation it is very important to have so-called optimum models, i. e., models for selecting optimum decisions. These models comprise two components: the goal function (optimality criterion) and limitations.

The goal function is an instrument with the help of which any state may be identified as the optimum. This function is constructed in such a way that the optimum situation (from the point of view of the selected criterion) corresponds to the biggest (in tasks of maximisation) or the smallest (in tasks of minimisation) value of the function. The situation itself is identified by a set of given and controlled variables whose values are sought. The construction of an optimality criterion is usually a very difficult task, but without a selected and formalised criterion there can be no assessment of decision, no way of knowing which decision is the best one.

The second part of the model are the limitations which are a mathematical expression of the conditions under which the decision is selected. Any of the possible planned economic decisions which satisfies these conditions is called a feasible plan, and one of

the feasible plans within which the goal function takes on an extreme (maximum or minimum) value is called the optimum plan.

Types of economic and mathematical models. The simplest of all models is the *linear* model which is solved by the methods of linear programming. The dependences between the processes in these models are taken to be proportional. Although many ties may be taken as proportional in a very simplified way, the linear models are widely used in practice because of their simplicity.

The methods of linear programming are used for the solution of transport tasks (assignment of consumers to sources of supply), tasks of routing (minimisation of dead head runs of transport), compounding of the cheapest mixes (of petrol, perfumes, blast furnace charge, etc) with preset properties, the optimum cutting of industrial materials, efficient utilisation of integrated raw material, optimum distribution of arable land, etc.

In *dynamic* models a series of tasks of linear programming are consecutively solved and this produces a picture of the process.

The *non-linear* models are used for processes in which the ties cannot be reduced to linear ties because such an approach would deviate considerably from reality.

Probabilistic and statistical models are called upon to take into account the effect of chance factors.

Generally speaking, probability elements are present in any task. The numerical value of various parameters may change and nothing is known about the value of these changes or the factors responsible for them. If decisions are taken on the basis of such

models, they must contain information on the probability of certain events and the impact of this probability on the results of activity of one or another production object. For instance, in organising scheduled preventive maintenance of some kind of equipment it is necessary to know not only the fact that the equipment may fail, but also the probability of this failure and the consequences of that failure.

Such tasks are solved with the help of methods of the theory of waiting lines, factorial analysis, stochastic programming. The probabilistic and statistical models have been widely used of late in production practice (finished products acceptance control and regular production process stability control, etc.).

A big number of models of the game theory has been currently developed for various sectors of the national economy. There might be a situation in which the interests of various sectors of the economy do not coincide. This is called a conflict situation and the models with the help of which these situations are analysed are called games.

Economic and mathematical models and automated control systems are closely interrelated and supplement one another, thus helping the managers to make well-substantiated decisions. The links between the economic and mathematical model and the ACS do not come of themselves but develop in the process of designing management systems. If an ACS is developed at an enterprise, as sometimes is the case, merely for dispatching data, for mechanising the simplest calculations and for the transfer of data from the enterprise to sectoral bodies, this ACS performs only a fraction of its potential functions.

While stressing the importance of software we also note the great potentials for raising the efficiency of work in developing all types of ACSs.

The national system of data acquisition and processing for the needs of planning and management, automated systems of planning estimates at the USSR State Planning Committee and the Planning Committees of the Union Republics, the automated control systems at enterprises and in economic sectors are all called upon to radically change the technology of developing and utilising economic and mathematical models and other modern methods, to transform them into an integral element of management of the socialist economy as a whole and its individual production units in particular.

It should be noted that the efficient utilisation of economic and mathematical models depends to a great extent on the qualification standards of the specialists engaged in this sphere and their ability to overcome the "psychological barrier" with regard to these methods.

CHAPTER TWELVE

ORGANISING IMPROVEMENT OF MANAGEMENT

1. Problems of Improving Management

Necessity of improving management. In order to manage a developing economy, management itself must constantly develop. More, it must develop ahead of the rate of production development and accelerate desirable trends. All this necessitates improvement of management.

The improvement of management is a continuous process of influencing the management system as a whole and its components in particular with the aim of raising its efficiency in running the economy. The problem of improving management is particularly acute during the transition period from one stage of socialist development to another, when the tasks and directions of economic policy are subject to radical change. The task of improving management is also necessitated by the current scientific and technological progress. The revolutionary changes in science, in engineering, in productive forces call for a constant modification of the structure of management, of its methods and process.

The improvement of management is facilitated by the growing potentials of the country. The new opportunities opened in this field stem from the in-

creased role of planning in the socialist economy, from the entry of the USSR into the stage of developed socialism. Another factor is the improved training and higher professional standards of managerial workers. The growing activity of the working people and their desire to have a greater say in improvement of management also have great bearing on the problem. And last, but not least, great importance is attached to the development of the fundamentals of management.

The scope of changes in management and their permanent nature demand the isolation of all activities aimed at improving management into a separate section of management. What is meant here is an isolated function of rationalising management. It also means that while improvement of management remains the duty of every managerial worker, every body and division of management, within the framework of their functions, it nevertheless requires special services which would deal specifically with improvement of management, specialists who have chosen this occupation as their profession. It also calls for a special process of introducing managerial innovations, their planning, financing and stimulation.

Functions of improving management. The isolation of the function of improving management demands answers to two groups of questions: 1) concerning the content of improving management. It must be clearly realised what specifically must be improved in management and why. The logics and sequence of the measures to be taken need to be identified; 2) concerning the organisation of activities arising from the need to improve management. These questions

specify the range of executors and supervisors, plans of activities, etc.

The first group of questions deals with the aspect of *what is to be done,* while the second group deals with *how it is to be done.* The latter is exceptionally important after the answers have been found for the first group of questions.

The leader of a given management body is a decisive factor in the improvement of management. It is only through his direct involvement in the task, on the basis of his personal responsibility, and his personal control over the progress made in the improvement of management, that any genuine results can be achieved.

Improvement of management, just like scientific and technological progress, and the introduction of any innovation, has to overcome passive inertia of the past, and quite often the active resistance of the advocates of the past. It also calls for constant struggle against red-tape and this struggle constitutes an essential element of improving management.

In no other activity is the joint work of higher and lower bodies of leaders and subordinates so important as in the area of improving management. Great importance is attached here to combining activity at the top and activity of the masses, to the role of the working people. In their capacity of owners of the means of production the working people demand improvement and efficiency from the management of the economy.

Improvement of management calls for a profound study of the advanced experience of both the Soviet Union and the other socialist countries, as well as the historical experience of real socialism. Improve-

ment of management also calls for a critical analysis of the experience of capitalism, particularly that of developed large-scale machine production; of the activities of large corporations; of the realisation of scientific and technological projects; of the management of the state sector in the capitalist economy, and of the state-monopoly control of the economy.

Directions of improving management. The selection of directions of improving management calls for special attention to a number of aspects. First and foremost, it is necessary to identify the nature of the general approach: whether it will be a reform, an improvement, a rationalisation or a combination of these. This in turn, requires full clarity on the ultimate goal: whether it is the modification of the entire system of management (reconstruction, reform); or improvement of the entire existing system (or its basic components) that is acceptable in principle; or rationalisation of individual components of the management system in some sections.

The answer to this question lies not within the sphere of management but in the state of the economy, in the analysis of its problems and prospects, in the changing production, scientific, technological, economic and social tasks. The rate of the national economic development, the rate of production efficiency growth and scientific and technological progress, the level and rate of intensification in production—these are the indices that determine the scale of the changes to be made in the management system.

Another important aspect concerns the set of measures to improve management. A reform embraces all the components of the management system—the goals, methods, personnel, techniques, and process it-

self. A mere improvement of management may also embrace all the components as well as be limited to but a few, for instance, the structure or the structure and the facilities.

Rationalisation is required permanently as an element of developing management.

The selection of the direction must be specified and substantiated. When the search begins for such substantiation, it often happens that the initial selection is wrong or incomplete.

Then there is the problem of priorities. What is to be improved in the first place? Where to begin? Should relatively simple measures requiring no major expenses or radical changes be launched?

There are no simple answers to these questions. It is necessary first of all to arrange the problems in accordance with the basic logic of management. This means that any goal-oriented work precedes the choice of methods, while measures in the sphere of structure of management serve as a basis for decisions in the sphere of automation of the management system, etc. The regularities identified by the theory of management make it possible to correctly establish the ties and dependences of any measure in the sphere of improving management: be it the introduction of an automated control system or a change in the system of incentives.

Many other factors are then to be taken into account: both objective and subjective, resources, personnel, etc. In terms of boosting confidence in efficiency of measures to improve management it may be useful to precede sweeping changes with a few smaller but efficient innovations. It must be borne in mind, however, that within some time after their in-

troduction, the small changes are apt to be neutralised by the old system of management if they fail to correspond to its essence. Any delay in launching radical changes may lead to an atmosphere of passiveness. It must be remembered that small changes sometimes create only a pretence of activity leading officers away from the solution of pressing problems. That is why it is expedient to advance from the general to the particular, from the main to the secondary, from the principal to the derivative, from long-range to current problems. This logic of the measures taken and their priorities depend on the level at which improvement of management is conducted. What may be an objectively set condition at the level of an enterprise is the subject of improvement at the level of sectoral or functional management level. On the other hand, factors subject to analysis at the national economic level remain unquestionable at other levels of management.

In selecting direction in improving management the following important aspect should be taken into account: whether the programme for improving management is carried out owing to the directives of higher bodies or it is a local initiative. In the first case the logic of selecting measures is substantiated by the resolutions and directives of higher bodies. In the second case it is necessary to take into account many attendant circumstances. In a number of cases the starting point of changes in management is a change in leadership, since some types of managers make impossible not only changes but even normal preparations for changes.

Ultimately, the choice of measures aimed at improving management and the logical sequence of

these measures serve as the starting point for decisions in the sphere of organising measures to improve management.

The choice of directions of improving national economic management as well as the improvement programme itself are a prerogative of the Communist Party of the Soviet Union which guides socialist society. The selection of the basic guidelines for improving management and of the approach to the problem constitutes an integral part of the Party's economic policy.

2. *Organisation of Management Improvement*

Bodies and personnel of rationalisation. Improvement of management is the duty of every leader within the subordinated body or division and of each officer at his level. Functional bodies are responsible for improvement of performance within their spheres of activities: planning bodies are responsible for improving methods and organisation of planning; the personnel departments are responsible for improving methods of assessing personnel, etc.

Activities in improving management require general leadership and coordination. It is essential to have general methods principles for this work.

There are problems which are common for all the sections of management improvement. It is hardly possible to entrust the elaboration of these problems to any functional service of management. The manager has neither the time, nor, sometimes, the experience, to do this work. Whenever improvement of management acquires great scope and becomes permanent, it is expedient to set up a special service with responsibility for improving management with-

in the given management body. Just like, in their time, the special services of planning, control personnel selection were isolated from the general functions of the manager, equally today the service of management improvement is isolated as an independent function. It must be stressed, however, that the isolation of the management improvement body does not relieve the other bodies of their duties to make efforts to improve management: it will facilitate their own activity in this field, correct it and make it more efficient.

At the level of the basic economic unit (enterprise or association) there are several alternatives for the division responsible for the improvement of management. Sometimes, the overall guidance of management improvement is entrusted to a department which deals with improvement of one section of management. For instance, the industrial engineering department may be made responsible for improvement of other sections of management. In other cases, this function is performed by the department of automated control systems, etc. With this kind of alternative the former narrow role of the departments may hamper the fulfilment of their new duties. Sometimes a research division of the association (a laboratory of economics or management) comes out as the coordinator of all improvement activities. This may entail difficulties resulting from the fact that the laboratory is not part of the managerial staff, but only affiliated to it. The worst case is when the general tasks of improving management are distributed among the services, e.g., the ACS department is responsible for structural improvement, the staff department—for improvement in

personnel management, etc. The best way out is to have an independent department, even if it is a small one, specialising in improvement of management.

The situation which arises with the department of management improvement at the level of an associations, is repeated, to some extent, at the level of sectoral, functional or regional management bodies. Here, too, it is more expedient to have a special management improvement service.

The management improvement service has three groups of tasks to be tackled with: first, it is responsible for the general improvement of management within its own body; second, it is to coordinate the improvement activities conducted by various divisions of the body; third, it is to coordinate the activities to improve management by corresponding services in the subordinated organisations.

There is a very difficult problem on the issue of the body to be responsible for improvement of management on the scale of the national economy. One alternative provides for the appointment of one leading body from among existing functional bodies. Another alternative envisages several leading bodies with responsibility for the basic sections of management improvement. Currently, the USSR State Planning Committee is responsible for improvement programmes in the sphere of planning and economic incentives, and for this purpose it has a special department and an inter-sectoral commission. The USSR State Committee for Labour and Social Affairs is responsible for industrial engineering programmes; the USSR State Committee for Science and Technology is responsible for the introduction of computer technology, etc.

A third alternative provides for special bodies fully responsible for improvement of management in the national economy. In the past, these were mixed party and state organs which was due to the exceptional importance of the work done. In the 1920s, the country had a joint organ—the Central Control Commission of the Party and the People's Commissariat of Workers' and Peasants' Inspection (CCC-WPI).

Improvement of management requires personnel trained in the problem. To the traditional managerial professions of planner, accountant, lawyer, there has been added a new one—specialist in management rationalisation (organiser of management).

Planning of activities to improve management. If improvement of management is to be a success it must be conducted according to plan. Any decision on improving management must be followed up by a concrete plan outlining schedules, executors, etc. There must be a concrete project of improving management in realisation of the decision adopted. The project of improving management and the plan for its development and realisation constitute essential elements of the planned approach to rationalisation of management. There are several forms of planning. The goal-oriented and programme planning is the most developed one. A programme is drawn up to embrace all the activities in improving management which share a common goal and are based on concrete schedules. The programme outlines the resources, the sections, the schedules, and the executors. The programme makes it possible to provide for all the activities, their research and design substantiation, training of personnel, material support.

The concrete alternatives for the realisation of the programme approach may differ, but more often than not the programme takes the form of a plan for the realisation of one or another decision on improvement of one or another section of management: modification of structure, introduction of a new scheme of payment, etc. In these cases the programme comes out as a means of achieving the tasks set. The master scheme for sectoral management may serve as an illustration of this type of management improvement programme. On March 2, 1973, the CPSU Central Committee and the USSR Council of Ministers adopted a resolution on measures to further improve management of industry. The master schemes were chosen as a means for the realisation of the tasks outlined in this resolution. Each central body of sectoral management was entrusted with the task of raising the level of production concentration through the establishment of production associations, development of the middle level of sectoral management in the form of industrial associations, more clear definition of the scope of duties and rights within the given ministry, formation of joint scientific and production associations and development of the scientific and technological base of the sector. Master schemes have become goal-oriented programmes, long-term plans for the development of sectoral management.

An important stage in the intensification of planning within the sphere of improving management was marked by the introduction of special sections into the economic and social development plans of the USSR outlining assignments not only for the development of the national economy, but also for its

management. This made it possible to better tie in changes within the object of management and within the system of management itself, to plan measures for improving management in financial, material and other resources. Experience shows that it is much easier to draw up those sections of the plan which deal with improvement of management on the basis of the goal-oriented programmes for improving management. For example, the master schemes have made it possible to formulate the assignments of the five-year plans for improving management on a much higher level.

The fact that the basic plans of the USSR incorporate sections dealing with management has made it possible to strengthen centralised influence on activities to improve management, to outline directive assignments in this field. This, in turn, facilitates control of the progress made in the realisation of measures to improve management.

The Comprehensive Programme of Scientific and Technological Progress for a Period of 20 years and Its Socio-Economic Consequences, and the Guidelines for the Economic and Social Development of the USSR for 1981-1985 and for the Period Ending in 1996 contain special sections devoted to the prospects for the development of management of the national economy. These sections are of exceptional importance since they direct research and development towards comprehensive and long-term solutions, towards the drawing up of a unified long-term programme for management improvement. Moreover, they open the way to overcoming the main drawback in activities to improve management, namely, these activities took the form of realising individ-

ual resolutions, thus imparting to the entire work the character of periodical campaigns.

The five-year plans incorporate a section entitled "Planning of National Economic Management Improvement". In accordance with instructions of the USSR State Planning Committee, this section outlines a number of activities and indices characterising them. The section identifies, first and foremost, the measures for improving the organisational structure of management. These measures are characterised by such indices as the change in the number of basic units at ministry level, the change in the number of middle-level bodies, the total number of managerial units within the system of the ministry.

Second, these are measures aimed at providing hardware for the management system. They incorporate such planned indices as the engineering facilities of managerial labour, the number of automated control systems. It is very important to have these measures included into the plan, because this very fact alone leads to solving problems of financing and material supplies, which is essential for implementing measures requiring expensive machinery.

Third, the plan envisages measures for the advanced training of managerial personnel and outlines the number of trainees during the planned period.

Fourth, there are measures aimed at improving methods of management.

And finally, the plan envisages cost-benefit indices: the number of managerial personnel, the expenses for the maintenance of the managerial staff and for improvements of the management system,

the efficiency of measures to improve management.

Planning of management improvement is a highly specific type of work: only part of these activities can be identified in quantitative indices, and much can be assessed only in qualitative terms. The state plan embraces the activities of state management bodies alone and, from this point of view, it is also deficient.

In spite of all these difficulties and complexities, the main path of development lies in promoting long-term planning for management improvement.

Realisation of plans of improving management. The plans of management improvement serve as the basis for concrete projects of managerial innovations. These projects are drawn up by the management improvement department. Inasmuch as the department has to deal with a wide range of projects, it will, for example, have the following rough structure within a production corporation: a division of general planning of management improvement, a division of management methods and processes, a division of scientific organisation of managerial labour, a division of structural improvement, a division of automated control systems.

The development of a project is conducted by the linear and functional services of the given establishment and also by outside organisations (research, consultative, and others). The project for improving management is subject to discussion within the work collective. It must be approved by the Party and other social organisations, by all the division chiefs and brought to the attention of all those concerned. Informing the work collective of the forthcoming changes is an important factor ensuring their

realisation. The manager should avoid sudden changes and openly discuss all the difficulties and possible unpleasant aspects of future changes. It is wrong to emphasise only the positive effect of the forthcoming changes. It is very important to take into account the opinion of those who will be directly affected by the project. If they have taken a wrong stand on the subject, it must be clarified and explained before the project is launched. No views must remain unexpressed on the project of rationalisation.

Changes in the management system are a much more complicated task than the introduction of technological innovations. This calls for constant support on the part of the leaders concerned and equally constant control on the part of the superiors. In the course of the realisation of the project there may arise complications and new circumstances which call for a timely response. Any reorganisation in the sphere of management requires great persistence, although it is wrong to strive to realise the project at all cost. The realisation of a project must not be formal—it is a creative process and an integral part of the improvement. The project itself may be modified and improved in the course of its realisation.

It must be borne in mind that the realisation of a project affects not only the formal structure, but also the informal one as well as informal relations. This imparts great diversity to the realisation of identical processes in related organisations and hampers the application of a single method.

It is important to adhere to the established time period in the realisation of the project in general

and the completion of the reorganisation process in particular. If schedules are violated any reorganisation has a tendency to drag out, the transitional forms are apt to perpetuate themselves, the ultimate goal of the project is narrowed and sometimes comes to naught. All this results in a well-grounded antipathy to any innovations as such. That is why a rigid time-table for completing the reorganisation is a major prerequisite for successful rationalisation.

A project must have all the financial and material resources for its realisation. Many of the managerial projects do not require any sizable capital expenditures (with the exception of projects for automated control systems), but some expenses are inevitable and the source of funds must be provided beforehand.

There must be material and moral incentives to all the participants in the project in the course of its stage-by-stage realisation and after completion. This is important both for the future and for developing a positive response of the personnel to rationalisation of management, and also for retaining those workers who have acquired experience in reorganisation of management. The authors of valuable innovations forwarded at the stage of the design of the project or in the course of its realisation must be rewarded for their efforts and this must be brought to the attention of the work collective. It is also necessary to find the source of incentive financing since many managerial innovations have no direct material effect in the form of saving or profit but help to improve the overall indices of economic performance.

There are managerial projects which inevitably

encroach on the interests of some workers, as in the case of structural improvement and the subsequent reduction of managerial staff. In such cases it is particularly important to mobilise those who benefit from the new structure and also to display maximum attention to the solution of problems facing those who are discharged or demoted. There must be absolute clarity with regard to the fate or every worker as soon as possible, otherwise the personnel remains in a state of uncertainty and the success of the reform is problematic. Here, it is very important to have the assistance and guidance of the party organisation, the vanguard of the work collective.

Not all the projects inevitably lead to success. Innovations always incorporate a certain percentage of errors and failures. In such cases it is important not to conceal the bad results, not to claim success where there is none, not to create an atmosphere of hypocrisy. What is needed is frank exposure of the mistakes and their root causes and an outline of what is to be done to avoid repetition of the failure. There must be resolute opposition to false rationalisation projects which are launched for show or whose economic effect is doubtful.

3. Research and Personnel Training

Success of management improvement depends not only on the introduction of innovations, but also on the timely research in their designs, on the training of personnel in the use of new methods and procedures in management.

Research and development in the sphere of management. In the sphere of scientific and technolog-

ical progress the most efficient form of organisation is one which combines all the elements of scientific and technological progress into one cycle: fundamental research, applied research, experimental designs, introduction, dissemination. This principle is fully applicable to such a specific sphere of innovations as improvement of economic management. Here, too, there must be a link of the type of "science—production", which may be formulated as "science—management". Inasmuch as we have already dealt with the organisation of work in the "management" element, let us examine in some detail the "science" part.

What is the "science" element like when applicable to the sphere of management? First of all, we must deal with the system of sciences which ensure success in the practical improvement of management. The basic system of scientific principles of management has been discussed in Chapter Two of this book. Improvement in practical management calls for the development of all the scientific principles of management: the managerial aspects of social sciences—political economy, philosophy, scientific communism; the general sciences of management—theory of systems, cybernetics, organisation theory, information theory; the managerial aspects of the social sciences—law, psychology, sociology, pedagogics; the managerial aspects of the concrete economic sciences—planning, pricing, etc. First and foremost, however, it is necessary to develop the theory of management as the system-forming core of all the scientific principles of management.

In terms of research structure there must be a balance between fundamental research, applied research

and development research. Any distortion in one of the three aspects immediately reduces efficiency of managerial research. Reduced activities in development research create a bottleneck for the introduction of research results into practice. A slowdown in fundamental research is also very dangerous since it affects the source of new ideas in improving management.

In practice the problem of developing research in management improvement boils down to the problem of creating a system of research and designing establishments in the sphere of economic management. The main issue concerns the type of these establishments, their specialisation and interrelationship. Special emphasis is laid on the problem of specialisation which is essential in research. Workers capable of conducting fundamental research are often hopeless when it comes to practical recommendations. On the other hand, talented designers are often poor theoreticians. The combination of such different abilities is a rare phenomenon. This makes specialisation inevitable but also demands a constant contact between the two aspects. Purely fundamental or purely applied research is worthless in such a pragmatic field as management. Here, there must always be close contact between fundamental research and everyday practice. The theoreticians must participate in discussions of applied problems, in development research, in consulting and training managerial personnel. All this will put more correct accents in fundamental research.

Fundamental research in the sphere of management is conducted at the research institutes of the USSR Academy of Sciences, at the Academies of

Sciences of the Union republics, sectoral academies, higher educational establishments (particularly those which train in managerial professions), the theoretical departments of the research organisations under central functional and sectoral bodies. Academies and higher educational establishments are head organisations where fundamental research is mainly conducted while the theoretical departments of sectoral institutes provide the links with applied research. Applied research into the problems of management are partly carried out by academic establishments to ensure contact between theory and practice. However, the bulk of this research is conducted by the research organisations of the functional bodies (the planning, financial, supplies and other bodies have institutes, councils, computer centres, research bureaus, etc.), by research establishments of sectoral and regional bodies and higher educational establishments.

Development research in the field of management is conducted by the sectoral research establishments, research organisations which are part of production establishments, by higher educational establishments on the basis of contracts with sectoral and functional bodies, as well as with production establishments. There are also organisations which are fully specialised in development research and managerial consultation. Correct organisation of the scientific basis for improving management is a major factor of efficient management.

Management training. Another important factor in improving management is the system of training personnel (both general training and special training for improvement of management). Since concrete

training in connection with one or another measure for improving management is better organised within the framework of a permanent system, the main thing in improving management is to develop an efficient and permanent system of training personnel.

The development of such a system requires the answers to the following questions: whom to train? where to train? who is to train and how?

Continuity of changes in the management system envisages continuity of studies. Training is particularly essential when it comes to major changes concerning the entire system of management. There must be a special plan for training managerial personnel.

Due to the great diversity of leadership occupations at various levels and an equally great diversity in the work of specialists at the level of sectoral, functional or regional management, at the level of the basic unit of the economy, it is expedient to classify groups of managerial workers. This brings us to numerous categories of trainees: for instance, line managers of four levels (national economy, region, middle level of sectoral management, basic unit of economy), functional managers of various levels, etc. It is not advisable to indulge in excessive increase in the number of these categories, because as their number grows, the difference in the content and organisation of training becomes too slim, whereas organisational difficulties grow beyond proportion. It seems that anything between 8 and 12 categories of trainees would be sufficient.

Now, the question is: what are the forms of this kind of training? In terms of purpose and content the

management theory identifies three basic types of organised training of managerial personnel: basic training, promotional training and advanced training.

Basic training is what every worker must go through before embarking on a managerial career. For a specialist this means a training course at institute or technical school. There is an acute problem of basic training for managers. At present, there is no such training. It is customary for specialists with a secondary or higher education to be appointed to managerial posts, as long as they display an ability to leadership. But there is an urgent necessity to introduce special (basic) training for managerial work. Basic training can cover one or two years, including a period of full-time training. Future managers must take this training course in the beginning of their career or after a short period of work at lower managerial posts.

Promotional training is a prerequisite for any promotion, either "vertical", when the scale of responsibility changes, or "horiz ontal", when the scale remains the same, but the object and nature of management change. In either case, a preliminary study of the specific features of the new work to be performed is an important condition for its success. Promotional training is exceptionally important for managers, particularly when they are expected to change the nature of their work radically: to take up an appointment as manager of an independent establishment, to join sectoral bodies and establishments, etc.

The purpose of *advanced training* is to raise the professional standards of people employed in a certain job for a number of years. Periodicity of this

training is once every 3-5 years depending on the level of leadership and type of work. For high-level managers, it is expedient to organise this training on an intersectoral scale, whereas for managers of the middle and lower levels and for specialists within the sectoral system.

Advanced training is particularly important at the present stage of the development of the economy, when scientific and technological revolution leads to a rapid "depreciation" of knowledge and dynamic development of production and science constantly raises new problems and sets new tasks.

The long-term plans for advanced training must be based on the assignments of long-term plans for improving management. One must study properly what is to be introduced.

Now the question is where is the training to be conducted? A network of educationl establishments ensuring the training and advanced training of managerial personnel is organised in accordance with the type of training required. The existing network in the USSR comprises the following:

—the Academy of National Economy under the USSR Council of Ministers (training of top-level managers) and the Institute of National Economic Management under the Academy (advanced training of top-level managers);

—faculties for industry and construction managers as well as advanced training faculties at higher educational establishments;

—institutes, schools and courses of advanced training for managers and specialists under sectoral ministries (in industry, construction, transport, trade, etc.), and branches of these institutes and courses;

—institutes (courses) of advanced training under central functional (intersectoral) bodies of planning, supplies, etc.;

—regional institutes of advanced training (as a rule, in the Union republics);

—advanced training courses at enterprises and associations.

Who is to train? The management training requires professional instructors. In order to keep abreast with the development of management these instructors themselves must officially participate in fundamental and applied research into management problems and also in activities to improve management. On the other hand, the personnel of research centres, management improvement services, managers themselves must be invited for this purpose.

How is the training to be organised? The training of managerial personnel, particularly managers, requires special methods which take into account the existence of elements of the art of management in the management theory. These methods must also take into account the fact that the trainees are, on the whole, better qualified than the instructors. This means that the system of training must utilise the so-called active methods of training: concrete situations, the methods of scenarios, the method of business games, etc. The essence of all these methods is to make the trainees work independently on the educational material, to help the instructor play the role of coordinator and consultant.

With proper organisation the system of training of managerial personnel develops into one of the cornerstones of improving management.

CHAPTER THIRTEEN

THE STRUGGLE AGAINST BUREAUCRACY

Resolute struggle against bureaucracy in socialist management constitutes a major factor ensuring the efficient functioning of the economic management system. In the broad sense improvement of management incorporates two essential elements: alteration of the management system in accordance with the new conditions and tasks and the purging of all sorts of distortions and obsolete elements from this management.

Lenin elaborated a wide range of problems of scientific management of socialist production and constantly emphasised not only how one should manage, but also how one should not manage. Lenin poignantly defined the entity of negative phenomena in socialist management as bureaucratism.

1. Essence, Manifestations and Roots of Bureaucratism

Bureaucratism and the necessity of combating it. Bureaucratism means power of the office (the French word *bureau,* office, + the Greek *kratos,* might). In the presocialist system of management bu-

reaucratism, according to Karl Marx, meant that "state objectives are transformed into objectives of the department, and department objectives into objectives of the state".[1] This leads to a distortion of the essence of management with regard to its objectives, lays emphasis on the role of the officials, attaches increasing importance to personnel problems of management, makes management an end in itself, i.e., "management for the sake of management". Red tape inevitably leads to formal performance of duties, to procrastination and plain shirking of duties.

For a bourgeois society red tape is unpleasant, since it undermines efficiency, but it is not deemed dangerous and is tolerated. In a certain sense, bureaucratic practices are quite logical for a system of management that is directed against the majority of the population and defends the interests of the minority. It is not accidental, therefore, that in a number of bourgeois theories of management the concept of "bureaucratism" means not an ailment of management, but management as such (first and foremost this concept concerns the ideas of Max Weber).

In socialist management bureaucratism means failure or inefficient fulfilment of the basic tasks of management with regard to socialist production. Sometimes, red tape is camouflaged by adherence to all formal procedures and rules. For socialist management red tape is not merely a tumour—it is a malignant tumour. Bureaucratism is alien to the very

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[1] Karl Marx, "Contribution to the Critique of Hegel's Philosophy of Law", in: Karl Marx, Frederick Engels, *Collected Works*, Vol. 3, 1975, p. 46.

nature of socialist management, whose ultimate goal is in the vital interests of all the working people and whose strength, therefore, lies in the conscientious support of the people, their activity. That is why Lenin wrote: "Our worst internal enemy is the bureaucrat."[1] Red tape breaks socialist management from its foundation—the working people. It prevents the working people from coming out as owners of the means of production, undermines their feeling of proprietor of the economy. Bureaucratism leads to a situation when "the whole business of administration . . . becomes illusory and imaginary".[2]

That is why the struggle against red tape is one of the essential elements in the normal process of socialist management.

The improvement of management pursues two mutually dependent tasks: the introduction of everything that is new and more progressive and the removal of everything that is outdated, incorrect, and harmful. The obsolete does not necessarily have to be decrepit, old and passive. On the contrary, it may be very active and will not disappear of itself. That is why without struggle against the obsolete there can be no introduction of the new.

The scientific approach to improving management embraces not only the theory of managerial innovations, but also the theory of overcoming substituted structures, forms, methods, style and personnel of

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[1] V. I. Lenin, "The International and Domestic Situation of the Soviet Republic", *Collected Works,* Vol. 33, 1976, p. 225.

[2] V. I. Lenin, "To the Heads of Central Soviet Establishments", *Collected Works,* Vol. 45, 1981, p. 423.

management. Neglect of this aspect of management improvement often reduces the level of success in the rationalisation of management.

Just like the introduction of the new, the struggle against negative prenomena requires a scientific approach. Lenin wrote: "Bureaucrats are smart fellows, many scoundrels among them are extremely cunning. You won't catch them with your bare hands. Did you fight correctly? Did you *encircle* the 'enemy' according to all the rules of the art of war?"[1]

Revisionists and anti-communists like to discuss modern bureaucratism. In their theories it is an entirely new phenomenon, something unknown to Lenin, the product of socialist management development. Such an approach justifies, as it were, their struggle against real socialism. The experience accumulated by the CPSU and the Soviet state, by the whole of Soviet society and by the other socialist countries in combatting bureaucratism speaks of the fact that basically bureaucratism has remained as Lenin saw it in socialist management. While rejecting the thesis of "modern bureaucratism" as a new phenomenon, it is necessary to fight against bureaucratic practices the Leninist way and to take into account the modern features of red tape.

Manifestations of bureaucratism. Lenin discerned two types of bureaucratism: one in the style of work of individual officials and in the organisation of some management bodies, and the other in the poor solution of national economic tasks, in economic inef-

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[1] V. I. Lenin, "To M. F. Sokolov", *Collected Works*, Vol. 35, 1976, p. 492.

ficiency. These two types of bureaucratism are interrelated since bad style in the long run leads to poor management, i. e., to failure to fulfil tasks for the sake of which this management has been organised.

Subjectivism (voluntarism) and formalism are the most dangerous manifestations of bureaucratism. The main danger lies in subjectivism. In his "Letter to the Congress" Lenin noted that some members of the Central Committee took too much to "the purely administrative side of the work"[1] Meanwhile, management of the economy requires an administration practice based on science and one which meets the demands of objective laws. Lenin wrote: "Nothing will be achieved in this by doing things in a rush, by assault, by vim or vigour."[2]

The Communist Party conducts extensive work in the way of eradicating voluntarism and subjectivism, but they display great tenacity. Quite often formalism is a reaction to the sins of voluntarism. Detailed procedures and strict adherence to all instructions are seen by some as a guarantee against arbitrariness and subjectivism. Besides, formalism is the best personal guarantee against mistakes, since any failure may be attributed to the procedures and regulations approved by the superiors.

The worst type of formalism is dogmatism, i. e., over-zealous formalism which sees the root cause of all difficulties in deviation from the letter of instructions and slogans, which were valid in the past, but no longer correspond to the objective conditions of the moment. Dogmatism makes no constructive pro-

[1] V. I. Lenin, *Collected Works*, Vol. 36, 1971, p. 595.
[2] *Ibid.*, "Better Fewer, But Better", Vol. 33, p. 488.

posals, castigates all and every deviation and itself gives rise to deviations by preventing timely changes in management. The problems arising from dogmatism are so profound that they give rise to voluntaristic attempts to alter the situation. Hence, there is a deep interrelationship between formalism, dogmatism, voluntarism and subjectivism.

The fight waged by the CPSU and the Soviet state, by all the working people, management bodies and personnel themselves against bureaucratism have substantially reduced manifestations of red tape. That is why special attention should be devoted to the more refined and "latent" forms of bureaucratism: narrow-mindedness, technocratism, passiveness, liberalism.

Local self-interest exists in three basic forms: self-interest of intersectoral and functional bodies, self-interest of sectoral ministries, self-interest of regional bodies, enterprises and organisations. In all its forms local self-interest displays common features—attempts to resolve problems not so much from the positions of the state as from the positions of the given sector, intersectoral functional body, territory, or enterprise. Local self-interest is detrimental to socialist management and undermines the principle of centralised, national approach. It strives to ensure efficiency (and this is one reason for the difficulty in identifying self-interest) but maintains a wrong understanding of efficiency. There is an attempt to ensure local efficiency irrespective of general efficiency and this inevitably makes the progress achieved only temporal. Local and sectoral improvements which are achieved at the expense of overall progress are inevitably "absorbed" in the course of general events,

whenever they go against the general course while being paid by the state.

Technocratism is a dangerous manifestation of bureaucratic leadership. It reduces management to purely technical, organisational, and administrative aspects. Technocratism seemingly augments the business and concrete approach to matters, comes out against empty phrases and abstraction, but in essence, particularly when applied consistently, it undermines socialist management ignoring such a major factor as the activity of the masses. Typical of technocratism is scepticism concerning the strength of the work collective, the force of public opinion, underestimation of educational measures, ideological and political activities. Technocratism often resorts to lip service to democracy, whereas in fact prefers decisions taken in camera and fears publicity. One of the variations of technocratism is blind faith in the omnipotence of automated control systems, mathematical methods and models.

One of the most dangerous and, perhaps, most "refined" forms of technocratism is passivity, particularly one which is camouflaged by assurances of loyalty to superiors and references to centralism. It is not accidental that Lenin described a case of waiting for an order from superiors as typical red tape in socialist management. He wrote: "It is clear that the Trade Department of the State Bank is *at fault* here. They slept in, they missed the bus, they waited, like real jack-in-office scoundrels, for an *order* 'from above'.[1]"

Passivity is often manifest in such forms as failure

[1] V. I. Lenin, "To G. Y. Sokolnikov", *Collected Works*, Vol. 35, pp. 547-48.

to make full use of potentials, shirking decisions on pressing problems, particularly with far-reaching consequences. It is very difficult to identify failure to utilise all the opportunities in the economy, management and in the potentials of personnel. Any absence of initiative on the part of the manager and other managerial workers to make full use of these potentials is detrimental to the economy and the losses incurred cannot be easily estimated since the potentials had not been registered.

Another form of red tape is shirking decisions on pressing problems under cover of noisy activity in alleged preparation for such decisions. Draft resolutions are drawn up, altered, discussed, new alternatives of drafts forwarded, but in fact nothing changes. When a decision is finally taken after a lot of procrastination, all possible "objective" circumstances are brought in to prevent its realisation. In the long run, as is usually the case in life, changes take place as a result of which the realisation of the adopted decision fails to produce the expected effect and it is time to draw up a new decision.

Passivity, which takes the form of neglect to long-term problems, is fraught with grave danger at times of profound and global changes. Overindulgence in routine matters creates an appearance of activity while in fact fully neglecting an important advantage of planned management—the opportunity to realise long-term decisions. As a result there is a systematic recurrence of difficulties in the course of this routine activity. Meanwhile, a long-term analysis would have identified a range of fundamental problems whose solution, although difficult and long, would have substantially reduced the tension in day-

by-day work. There is a comment by Lenin which is fully applicable to this case: "Anybody who tackles partial problems without having previously settled general problems, will inevitably and at every step 'come up against' those general problems without himself realising it. To come up against them blindly in every individual case means to doom one's politics to the worst vacillation and lack of principle".[1]

And finally, yet another form of deviation from the correct style of leadership—liberalism, tolerance to shortcomings, violations and plainly criminal acts. Liberalism is sometimes justified by the fact that the formalism of superior levels of management hampers efficient management by failing to review outdated rules and norms of economic activity. This formalism compels those who have initiative, who clearly see the incompatibility of existing rules with the interests of efficiency growth of management to violate regulations. By doing so time and again these workers maintain growing and permanent contacts with other law-breakers. Is there any guarantee that all the "accomplices" break the law in the interests of the cause, that there are none who do this for the sake of narrow-minded interests or for the sake of personal criminal profit? The basic difference between various types of violations is eroded and this is most dangerous.

Root causes of red tape. Immediately following the 1917 October Revolution, Lenin analysed the causes of bureaucratism and pointed to "the abuses com-

[1] V. I. Lenin, "The Attitude Towards Bourgeois Parties", *Collected Works*, Vol. 12, 1977, p. 489.

mitted by former government officials, landowners, bourgeois and other scum who play up to the Communists".[1] The roots of bureaucratism are the vestiges of the past—of capitalism and even, as Lenin indicated time and again, of serfdom and feudalism. Understandably, after decades of successful development of socialist management, the role and impact of this factor have changed. For instance, the vestiges of the past are fed today to a considerable extent by imperialist propaganda which uses a powerful mass media for the purpose. No matter how important the vestiges of the past are for bureaucratism, this alone cannot explain the tenacity of red tape. According to Lenin the roots of bureaucratism are also found within socialist management, the socialist economy.

In order to have a clear understanding of bureaucratism it is necessary to differentiate between socialisation that is implemented in practice and socialisation that is promulgated by the decree on nationalisation. Insufficient socialisation in practice and insufficient planning at the first stages of communist society constitute the main domestic basis of bureaucratism. Owing to a number of reasons, the degree of centralisation in economic management in the initial period of Soviet power was greater than the actual scope of socialisation of the productive forces. Later, too, the degree of centralisation in management was often way ahead of the level of planning in the economy.

In "The Peasant War in Germany" Engels pointed out the dangers which power is fraught with when the conditions are not ripe for it. He wrote:

[1] V. I. Lenin, "The Tax in Kind", *Collected Works*, Vol. 32, 1977, p. 355.

"The worst thing that can befall the leader of an extreme party is to be compelled to assume power at a time when the movement is not yet ripe for the domination of the class he represents and for the measures this domination implies."[1]

Power and the management system under socialism come out as an effective instrument for building a corresponding economic basis. Lenin called for the active utilisation of power and the potentials of management in building socialism but warned of the danger of overestimating these potentials: "With the Civil War on, we had to adopt war-time measures. But it would be a very great mistake indeed if we drew the conclusion that these are the only measures and relations possible. That would surely lead to the collapse of the Soviet power and the dictatorship of the proletariat."[2] Power that is not backed by a sufficiently strong economic base increases the danger of voluntarism. Economic isolation and the insufficient level of real socialisation force the ruling power and existing system of management to compensate the deficiency of economic ties by state-administrative levers, to keep the isolated sections of the economy together by administrative means. Such managerial activity provides an objective basis for bureaucratism. Lenin wrote on the subject: "The wider the dispersal of the peasantry, the more inevitable are bureaucratic practices at the centre."[3] "Bureaucratic practices, as . . . the superstruc-

[1] Karl Marx, Frederick Engels, *Collected Works,* Vol. 10, 1978, p. 469.

[2] V. I. Lenin, "Tenth Congress of the R.C.P.(B.)", *Collected Works,* Vol. 32, p. 189.

[3] *Ibid.,* p. 205.

ture built over the isolated and downtrodden state of the small producer. . ."[1] "The bureaucratic practices of our state system . . . are connected with this petty-bourgeois element, which is widely dispersed."[2]

In the beginning of the 1920s, Lenin identified the dispersal of the peasantry as one of the economic causes of bureaucratism. With great insight he also identified another form of "dispersal", form of isolation: "the absence of . . . *exchange* between agriculture and industry, the absence of connection and interaction between them".[3]

Lenin's study of the objective conditions for bureaucratism in socialist management has great methodological importance. "Dispersal" in the form of small peasant holdings in our country has disappeared, but there remains a certain "isolation", a deficiency of "exchange" between agriculture and the primary industry, between the light industry and trade, between science and production. There is also the issue of balanced development which has not reached its highest level and needs to be further promoted.

In the long run, it is the contradiction between the formally unlimited opportunities of centralised and planned state management, on the one hand, and the available level of socialisation of production, the level of balanced development and the limits of this centralism, on the other hand, that con-

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[1] V. I. Lenin, "The Tax in Kind", *Collected Works*, Vol. 32, p. 352.

[2] V. I. Lenin, "Tenth Congress of the R.C.P.(B.)", *Collected Works*, Vol. 32, p. 191.

[3] V. I. Lenin, "The Tax in Kind", *Collected Works*, Vol. 32, p. 351.

stitutes the internal prerequisite for bureaucratism to manifest in the style of leadership today. The possibility of red tape is further augmented by some of the specific features at the present stage in the development of the management system.

The line taken at boosting the living standards, raising material incentives, emphasising the role of money in the life of the people, in itself is essential for accelerating economic growth. However, this also has a shady aspect—the growing danger of consumer orientation and hoarding in all its forms: direct, for personal benefits, and indirect—for the work collective, the plant, the village, the city, the republic. This is a source for narrow-minded and self-seeking individuals.

The accent laid on the economic methods of management and the development of democracy in economic management correspond to the requirements of the day. But at the same time, these factors have created purely economic and other prerequisites for the manifestation of local self-interest.

The growing complexity of management has led to greater professionalism of managerial staff. There has appeared a highly complex management system; the procedure of management has become much more complicated. All these changes which are objectively essential for raising managerial efficiency, are fraught with the danger of isolation of managerial elements and the trend to "management for the sake of management". Under these circumstances technocratism gets a boost as a painful response to the growing complexity of management and its professionalism.

Passivity, as one of the forms of red tape, stems

from fear of responsibility. The Communist Party and the Soviet state have done much to overcome the sad heritage of the past when activity and initiative entailed reprimand more often than passivity and inactivity.

The struggle against violations of law can promote liberalism to a certain extent under the guise of solicitude for personnel.

Excessive activity can also create the conditions for bureaucratic practices. Whenever activity is torn away from existing economic conditions and potentials it is transformed into subjectivism and voluntarism. A sincere desire to accelerate the objective course of development may lead to premature introduction of one or another form of management. These methods and forms of management basically sound inevitable and desirable in the future but, being divorced from practical life, are doomed to failure at the present moment. What remains from them is only the form and a very different essence. Meanwhile, the manager responsible for their introduction refuses to recognise his mistake and does everything to retain at least the form, even if in name only. Under these circumstances the stage is set for formalism. Displaying concern for the formal side of things in one aspect, the manager inevitably gives preference to the formal side in other aspects as well. Forestalling events is another of the causes for bureaucratism. Lenin wrote: "We must not delude ourselves with lies. That is harmful. It is the main source of our bureaucracy."[1] Bureaucratic practices

[1] V. I. Lenin, "To Comrade Molotov for the Members of the Political Bureau", *Collected Works,* Vol. 33, p. 240.

begin when the masses are made to participate in a cause which they fail to understand and, hence, refuse to trust.

We therefore come up against a peculiarly dialectical contradiction. Essential and timely measures for improving management, being divorced one from the other and exaggerated in terms of their role and significance, lead to various manifestations of bureaucratism. The democratic principles of a manager may degenerate into liberalism, concern for centralism—into formalism, the drive for economic independence—into local self-interest, the need for professionalism in management—into technocratism, whereas programmes for developing incentives may lead not only to economy but also to money-grubbing.

In order to have a clear understanding of one or another form of bureaucratism it must be borne in mind that bureaucratic practices are beneficial to their proponents. An atmosphere of voluntarism helps to retain the given worker in his office, protects him against criticism since he can make short work of those who oppose him. Dogmatism, more often than not, is not a disinterested loyalty to quotations and slogans of the past, but a very earthly desire to preserve the system that had brought the manager to his post, a realisation of the fact that in new conditions he will not survive as manager. Whatever the arguments there is only one authentic reason: the desire to retain one's post. Without proper consideration for this personal interest it is difficult to explain the tenacity of bureaucratism.

The development of the mechanism of management, as long as it has not grown into communist

self-government, inevitably leads not only to improvement of management, but also to the appearance of one or another kind of growing pains. Just like the mechanism of management and its development are inevitable, so the danger of red tape is permanent. However, the scale of this danger, the degree to which potential bureaucratism can develop into real bureaucratism fully depend on the struggle waged against red tape. The continuous danger calls for continuous struggle.

2. *Motive Forces and Ways and Means of Combatting Bureaucratism*

Motive forces in the struggle against red tape. One of the basic features in the fight against bureaucratism in socialist management originates in the existence within the socialist management system itself of motive forces opposing bureaucratism. This is a corollary of the fact that bureaucratism, with its objective roots in socialist management, is fully alien to the latter and is, in a way, a malignant tumour. That is why the subjects of socialist management—the state, the working people, the CPSU—fight against bureaucratism actively and irreconcilably. The leading force in the struggle against bureaucratism is the Communist Party, as the vanguard of the working people, all its organs and organisations. This is laid down in the Programme and Rules of the CPSU.

The working people play a leading part in socialist management and particularly in the fight against bureaucratism. Without the participation of the working people there can be no genuine fight against red

tape. "We have any number of laws! Why then have we achieved no success in this struggle? Because it cannot be waged by propaganda alone. It can be done if the masses of the people help."[1] "What methods of defeating red tape are there other than bringing workers and peasants into the work?... If we wish to combat bureaucratic methods, we must draw people from below into this work."[2] The working people wage an active struggle against red tape through various social organisations and directly. This struggle is one of the basic forms of participation in management.

The main burden in combatting bureaucratic practices, reducing the danger of bureaucratism, is borne by the socialist state, the bodies of authority, the courts, the Procurator's Office, and the organs of state administration. The leading role in preventing bureaucratic excesses is played by those divisions in the organs of administration which are responsible for control, and also by the courts and the Procurator's Office.

Lenin described Party and Workers' and Peasants' control as a system of absolutely independent organs and also linked together the function of improving management and the function of combatting bureaucratism. According to Lenin, these organs are basically independent from the Party and the state mechanism, they are elected by the same conferences

[1] V. I. Lenin, "The New Economic Policy and the Tasks of the Political Education Departments", *Collected Works*, Vol. 33, p. 75.

[2] V. I. Lenin, "Our Foreign and Domestic Position and the Tasks of the Party", *Collected Works*, Vol. 31, 1977, pp. 425-26.

and congresses as the leading organs of the Party and the country, they serve as an instrument of drawing the rank-and-file workers and farmers into the struggle against bureaucratism and are called upon to play a special role in this campaign. The activities of the bodies for improving management and the rationalisation services play an exceptional role in reducing objective conditions for occurrence of red tape.

There is a special role to be played by the local bodies of authority and the management bodies of the basic production units—the plants, factories, associations, collective and state farms, the construction projects, i. e., by those elements in the system of management, which are most sensitive to bureaucratism by virtue of their status within this general system.

The existence of not only objective causes for bureaucratic practices in socialist management, but also of the motive forces for combatting red tape, predetermines, in the long run, success in the fight against bureaucratism, the complete eradication of its causes in the process of intensifying the balanced development of socialist production, in the course of the gradual transformation of socialist management into communist self-government.

Ways and means of combatting bureaucratism. Lenin discerned the extreme manifestations of bureaucratism, its ugliness, the vestiges, the "ulcers", on the one hand, and bureaucratism as an inevitable and chronic malaise of the mechanism of management, on the other. In response to M. F. Sokolov's statement: "Independent mass activity is *possible* only when we *wipe off* the face of the earth that ulcer which is called the bureaucratic chief administrations

and central boards", Lenin replied: "Although I have not been out in the provinces, I know this bureaucracy and all the harm it does. Your mistake is to think that it can be destroyed all at once, like an ulcer, that it can be 'wiped off the face of the earth'. . . .You can throw out the tsar, throw out the landowners, throw out the capitalists. We have done this. But you cannot 'throw out' bureaucracy in a peasant country, you cannot 'wipe it off the face of the earth'. You can only *reduce* it by slow and stubborn effort. To 'throw off' the 'bureaucratic ulcer', as you put it in another place, is wrong in its very formulation. It means you don't understand the question. To 'throw off' an ulcer of this kind is *impossible*. . . . Surgery in *this* case is an absurdity, an *impossibility;* only a *slow cure*—all the rest is charlatanry or naïveté. . . . 'Throw off' the 'chief administration'? Nonsense. What will you set up *instead?* You don't know. You must not *throw them off,* but cleanse them, heal them, heal and cleanse them ten times and a hundred times. And not lose heart."[1]

Lenin also wrote: "Do not defend but rectify the bureaucratic excesses. The fight against bureaucracy is a long and arduous one. Excesses can and must be rectified at once."[2] "We must detect and rectify them without calling bad good, or black white."[3]

On the basis of this general approach Lenin elaborated a system of methods to combat red tape.

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[1] V. I. Lenin, "To M. F. Sokolov", *Collected Works,* Vol. 35, pp. 492-93.

[2] V. I. Lenin, "The Party Crisis", *Collected Works,* Vol. 32, p. 52.

[3] V. I. Lenin, "The Second All-Russia Congress of Miners", *Collected Works,* Vol. 32, p. 57.

Summarising Lenin's instructions we may identify two categories of measures: suppression and punishment (direct struggle against the excesses of bureaucratism), and improvement of management and development of the economy with the purpose of reducing the objective conditions of bureaucratism.

Lenin called for the harshest measures against excesses of bureaucratism. He cabled once: "You are obliged to receive grain from the peasants day and night. If it is confirmed that you have not been accepting grain after 4 p.m. and compelling the peasants to wait until the morning, you will be shot."[1] Another comment by Lenin on the same subject: "Has any people's court convicted anyone for making a worker or a peasant call at an office four or five times and finally sending him off with an answer which is formally correct, but is essentially sheer mockery?"[2] "I hope very much that we shall expel a hundred thousand to two hundred thousand Communists who have attached themselves to the Party, and who are not only incapable of fighting red tape and bribery, but are even a hindrance in this fight."[3]

In reply to a statement to the effect that it was difficult to differentiate between red tape resulting from the actions of individuals and red tape resulting from organisational defects, Lenin pointed out:

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[1] V. I. Lenin, "Telegram to the Simbirsk Gubernia Food Commissar", *Collected Works,* Vol. 44, 1977, p. 183.

[2] V. I. Lenin, "Tenth All-Russia Conference of the R.C.P.(B.)", *Collected Works,* Vol. 32, pp. 427-28.

[3] V. I. Lenin, "The New Economic Policy and the Tasks of the Political Education Departments", *Collected Works,* Vol. 32, p. 75.

"With such an approach, of course nothing will come of the struggle against red tape. It is responsible persons who are to blame for these 'organisational defects'; these, and no others, are the ones we must learn to prosecute and punish with exemplary severity."[1]

Lenin further recommended: ... "we proclaim ...the *entire works committee* of this factory... and the entire membership of the communist group of such-and-such a factory, or such-and-such factories, *guilty* of red tape, negligence and connivance at bureaucracy, and inflict on them a *severe reprimand* and *public* censure, with a warning that it is only for this first time that we are inflicting such mild penalties, but in future will for such behaviour send all such trade union and communist scoundrels (the court, perhaps, will express itself more mildly) mercilessly to jail."[2]

Important as these measures of punishment for bureaucratism are, and "if we purge the Party of a couple of hundred thousand it will be useful, but that is only a tiny fraction of what we must do".[3] That is why Lenin gave priority to the second set of measures in the fight against bureaucratic practices —perfection of the Soviet system. While the first set of measures may be conditionally classified as surgery, the second group of measures is preventive and

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[1] V. I. Lenin, "To D. I. Kursky", *Collected Works*, Vol. 35, 1976, p. 533.

[2] V. I. Lenin, "To P. A. Bogdanov", *Collected Works*, Vol. 36, 1971, p. 558.

[3] V. I. Lenin, "The New Economic Policy and the Tasks of the Political Education Departments", *Collected Works*, Vol. 32, p. 76.

pursues the goal of training and developing the administration in a way as to curtail bureaucratism.

The fight against bureaucratic practices requires the development and consolidation of both lines of the principle of democratic centralism. The consolidation of centralism, law and centralised control raises a barrier to local self-interest and liberalism. The development and consolidation of democratism, the further broadening of working people's participation in management prevent technocratism and passivity.

Speaking of the problems of struggle against bureaucratism importance should be attached to the struggle against anti-socialist criticism of bureaucratism. The enemies of socialism are well aware of the fact that the socialist state and its power are the core of the new social system. That is why they spearhead their attacks on the state of the working people. Failing in their frontal attacks the enemies resort more and more often to methods aimed at knocking a wedge between the state and the working people who are the main support of the state. The enemies of socialism use the inherent hatred of the oppressed working people for the state bureaucratic machine of the exploiter classes, accentuate the bureaucratic malaise of socialist management and thus strive to draw a parallel between the bureaucratism of the exploiter state and the bureaucratism of the socialist state. In this way the enemies of socialism strive to provoke the working people into taking action that would weaken their state power, i.e., their main weapon in the struggle for a better future.

Lenin faultlessly drew a line, no matter how complicated and difficult it was, between the struggle

with bureaucratic practices for the sake of consolidating socialist management and the so-called "struggle" when under the guise and flag of combatting red tape an offensive is launched against the socialist system directly or indirectly, openly or camouflaged, deliberately or not.

Lenin wrote about the unhealthy elements "who talk themselves into repudiating . . . not only the 'appointments method' which has been the prevailing one up to now, but all 'appointments', that is, in the last analysis, repudiating the *Party's* leading role in relation to the non-Party masses".[1] The opposition transformed criticism of the "current method" into a criticism of the method as such.

The Leninist concept of bureaucratism is extremely dialectical. Socialist management carries in itself the objective danger of bureaucratism and this calls for continuous and serious struggle against the danger. This struggle is facilitated by the prerequisites and the motive forces existing in socialist management for fighting red tape. Essentially, bureaucratism is alien to the system of management based on social property. That is why all the subjects of socialist management—the Party, the state, the working people—come out actively and irreconcilably against bureaucratism.

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[1] V. I. Lenin, "The Party Crisis", *Collected Works*, Vol. 32, p. 53.

CHAPTER FOURTEEN

DEVELOPMENT OF THE SYSTEM OF MANAGEMENT OF SOCIALIST PRODUCTION

The analysis of the fundamentals of socialist production management provides a systems outline of the development of production management as a whole, the formation and development of management of socialist production.

1. Development of Production Management in Pre-Socialist Societies

Pre-capitalist forms of production management. Management of production is as ancient a phenomenon as production itself. Karl Marx and Frederick Engels, describing primitive society, noted the existence of order and regularity within that society. At the same time they stressed the fact that management was not yet fully isolated and had not become a function of a special category of members of the society. Engels wrote: "And this gentile constitution is wonderful in all its childlike simplicity! Everything runs smoothly without soldiers, gendarmes or police; without nobles, kings, governors, prefects or judges; without prisons; without trials . . . Those concerned decide, and in most cases century-old custom

has already regulated everything."[1] While economic matters within primitive communities were conducted according to plan, this type of management did not go beyond the limits of a given community.

The slave-owning system provided a model of running an economy by utilising masses of slaves and at the same time demonstrated management of large-scale economic projects. The temples of ancient Egypt, the silver mines of ancient Greece, the agricultural estates of ancient Rome are typified by the exploitation of large masses of slaves and the first isolated systems of management. Images on the Egyptian pyramids depict slave-drivers, accountant scribes and the priests who supervised the works.

Feudal production with its landed estates and monastery economy already displayed organised systems of management of various *types:* industrial, agricultural, trade.

The development of urban centres and the appearance of city guilds, manufactories and trade establishments, independent of the feudal lords, further diversified the forms of management. It was in the cities that there appeared for the first time new types of economic leaders: not slave-drivers or overseers of serfs, but foremen, guild heads, commercial and banking assistants, etc., who directly participated in the production process and organised it.

The later stage of feudalism marked by strengthening absolutism, the development of royal or tsarist economies led to the appearance of *large* produc-

[1] Frederick Engels, "The Origin of the Family, Private Property and the State", Karl Marx and Frederick Engels, *Selected Works*, in three volumes, Vol. 3, Progress Publishers, Moscow, 1970, p. 266.

tion establishments: royal shipyards and manufactories, salt-works, armories, metallurgical plants, mines.

The development of trade-money relations introduced money into production management as a routine factor: as a measure of expenses, as a measure of the results of work done, and a means of incentive. The system of feudal management based on serfdom and non-economic coercion supported by the rule of religious ideology began to bring into play the levers of an economic nature. Already in the 15th century, there appeared such a purely monetary instrument of management as book-keeping by double entry which was described in the works of the Italian mathematician Luca Paccioli. The first trained specialists began to work at production establishments. For instance, Mikhail Lomonosov, the great Russian scientist and founder of Moscow University, deserves credit for the opening of a mosaic glass manufacturing factory in Russia in the 18th century. The pre-capitalist management of production displayed in the main all the trends which later became the fundamental principles of capitalist production management.

Management of production under capitalism. Capitalist production based on private property is alien to management on the scale of a national economy. Anarchy and competition are its inherent features, but by virtue of private property individual units of the capitalist economy which are in the hands of one proprietor show intrinsic tendencies to management. Hence the tremendous internal conflicts of capitalism: balance within individual privately owned economies and the anarchy of produc-

tion as a whole which reduces to naught all the results of this partial balance.

Another important feature of capitalist management of production is the combination of the exploiter nature of management with the production necessity of managing the joint labour of many workers. Marx wrote: "The control exercised by the capitalist is not only a special function, due to the nature of the social labour-process and peculiar to that process, but it is, at the same time, a function of the exploitation of a social labour-process. . . ."[1] That is why progress in production rationalisation under capitalism, according to Lenin, can only be in the form of progress in the art of sweating the working people for the sake of making profit.

Capitalist production, realising its historical mission of intensifying the social nature of production, has substantially developed the management of production. The present stage of large-scale machine capitalist production displays a particularly great number of new features as it assimilates, in an inevitably contradictory manner but by its own peculiar methods, all the achievements of scientific and technological revolution.

Control of large-scale production and other economic organisations in capitalist society (firms, corporations, companies) is typified by a sophisticated structure of management and extensive work to improve this structure: centralisation and decentralisation of functions, delegation of responsibility, etc. More and more typical becomes the wide use of the linear-functional structure of the extremely diverse forms of programme-oriented management.

[1] Karl Marx, *Capital,* Vol. 1, p. 313.

Extensive work is under way in the sphere of capitalist rationalisation of the process of management: there is an improvement in various intra-company long-term plans and forecasts, development of managerial procedures and rules for taking managerial decisions and realising them. The industrial capitalist countries practise various systems of personnel selection, assessment, training and advanced training. Importance is attached to the development of various systems of economic incentives, forms of remuneration, bonuses, assessment of the economic results achieved by subdivisions of firms.

Great attention is devoted to the application of computers in production management and of the entire complex of technical means of management, particularly minicomputers.

Specific forms of management are used in the state sector of the economies of the advanced capitalist countries, in the control of the state mechanism of the bourgeois state itself. The "planning-programming—budgeting" system has been widely applied in the United States with the purpose of raising the effectiveness of spending on military and other scientific and technical programmes. The same purpose was served by the "target management" system. There has been a very peculiar "zero level" system under which the expediency of allocations for all programmes is subject to analysis every year, irrespective of the expenses already incurred.

Various forms of programme-organised work are widely practised in the management of the state sector and in the direction of state-sponsored measures. This approach is typical of such major projects as the development of nuclear weapons, space pro-

grammes, the Tennessee River Valley Project, the construction of the Shinkanzen high-speed Trans-Japan railway, the development of the Canadian Northern Territories.

Special methods of management have evolved in the course of intensified state-monopolistic control of the capitalist economy. Active use is made of the economic instruments of indirectly influencing the development of production: taxation, pricing, the policy of interest rates, wages control, etc. In France, the Federal Republic of Germany, Sweden, Japan and other countries different variants are being developed of national long-term indicative (i.e., only advisory) planning (with the allocation of sectoral and territorial reserves) with a view to indicating the reference points for the activity of the monopolies. The bourgeois state strives to actively influence the territorial distribution of production facilities and scientific and technical progress.

Necessity of critical study of capitalist managerial experience. It is essential and useful to study critically the experience accumulated in production management by pre-socialist societies in general, and particularly that of the modern forms of capitalist management. The fundamental principles and methodology for such a study have been elaborated by Lenin.

On the basis of the dual nature of capitalist production management (as of any other exploiter management) identified by Marx, Lenin taught to distinguish the exploiter essence, class orientation and narrow-mindedness of capitalist management and the organisational and technical aspects of this management which reflect the specific features of large-scale

production under the scientific and technical revolution. That is why the structures and processes of management, the methods of assessing personnel, the forms of incentives reflect the requirements of modern science, technology and production, even if they are in distorted, capitalist forms. These features of technology, methods and organisational forms of management are of doubtless interest for the theory and practice of socialist management. Equally interesting is the analysis of the failures of capitalist management and the difficulties which it encounters.

It goes without saying that all the pre-socialist types of management, including the managerial mechanism of modern corporations with all their electronic systems, have never been the decisive factor in the development of production. Prior to socialism, management always came out as a subordinated factor and its role was limited to the framework of private property. All the latest achievements of capitalist management, while permitting in a number of cases raising the efficiency of social production, are ultimately subordinated to the interests of the big monopolies and, hence, are powerless to alter the historical framework of the capitalist system, to overcome its basic contradictions, its economic, energy, ecological, monetary and financial crises, its inflation and unemployment. Programmes in the sphere of improving management do not and cannot alter the essence of the capitalist system. They only aggravate existing antagonistic contradictions and bring to life new ones.

The capitalists refer in their ideological struggle to activities in the sphere of capitalist production management. These measures are used as an illustration

of the "dynamism" and "viability" of capitalism, as proof of its alleged ability to "accept the challenge of the age". Meanwhile, these measures illustrate, if anything, the failure of the traditional forms of capitalist management to resolve modern problems and expose the forced nature of the transition to measures which, in their very essence, are alien to production based on private property. Such measures can only move away or camouflage the insoluble problems of a social system based on private property.

Lenin wrote: "Capitalism in its imperialist stage leads directly to the most comprehensive socialisation of production; it, so to speak, drags the capitalists, against their will and consciousness, into some sort of a new social order, a transitional one from complete free competition to complete socialisation".[1]

2. *Systems of Management of the Socialist Economy in the USSR*

The system of management of socialist social production in the USSR has been shaped under the influence of three groups of factors: the general regularities of socialist management, the common features of the economic policy at a given stage in the development of socialism, the concrete historical features of an objective and subjective nature. In the other socialist countries there has been added a fourth factor—the historical experience of economic management in the USSR.

War Communism. The first integral system of socialist management of production was War Commu-

[1] V. I. Lenin, "Imperialism, the Highest Stage of Capitalism", *Collected Works*, Vol. 22, 1974, p. 205.

nism. This system appeared owing to the specific historical conditions in the USSR. The basic features of the policy of War Communism and its system of management have been realised in a number of socialist countries, particularly in those where power had to be gained and defended by force of arms. In an underdeveloped economy War Communism can be the result of the preceding ravaging of the country by the colonialists and their henchmen.

The system of War Communism is based on complete nationalisation of all private enterprises. This measure is usually forced by war in the course of which the bourgeois elements support the enemies and organise sabotage and subversion. War Communism is also promoted to a certain extent by leftist optimism which comes in the wake of successful seizure of power.

War Communism gives priority to military and political goals, first and foremost, to the task of beating back the onslaught of hostile forces. This task calls above all for the production of weaponry and other war materiel. The number of types of output is not very great and the standards of production are well known. Direct administrative methods are quite sufficient to cope with this elementary set of tasks. The system of organs of management is based on the application of these methods and functions through implicit subordination.

Strict rationing is introduced due to the shortage of foodstuffs and other consumer goods. Prices are of no significance and it is only the per capita rationing norm that counts. These are basically standard norms within one category of workers with a tendency to a minimal level of supply.

Another important feature of War Communism is the sharply reduced role of money, its transformation into a mere instrument of accounting and a rapidly devaluating one at that. The peasantry are made to deliver to the state all the surplus produce in excess of the living minimum practically free of charge (because of the depreciation of money). Such confiscation of produce can be undertaken only by administrative methods.

The heroic determination of the working people to endure any hardships and privations, to work under any conditions in order to defend their power and get rid of the exploiters plays an exceptional role in the system of War Communism. The desire to work not for the present, but for the sake of the future, is a powerful ideological, political, social and moral factor which ensures the success of the system of War Communism. This ideological enthusiasm is based not so much on the successes of the socialist economy as on the hatred to the past exploiter system.

In view of the fact that under conditions of equalisation it was difficult to resolve major problems, the principle of shock-work enterprises was practised. A number of enterprises were selected for special assignments and they received priority supplies. It was practically impossible to assess the economic results of this work since supplies were in kind and remuneration was often fully in the form of food and other rations. A system of written orders was introduced for clearance between enterprises. The production units handed over the goods to superior organs and received from them the necessary resources.

The system of War Communism management provided all the prerequisites for elaborating a single

plan of economic activity. However, this could not be classified as an economic plan.

One of the acute problems of War Communism was the problem of personnel. The front-rank workers inevitably went to the front lines and there was no other way out but to draw bourgeois specialists into work. In view of the fact that the social ideals of the Revolution did not inspire them and the resources for material incentives were scanty, this category of workers basically functioned under compulsion, on the basis of labour conscription.

New economic policy. War Communism constituted an integral system which helped to resolve the tasks of the Revolution. Lenin wrote: "We deserve credit for it. It was the war and the ruin that forced us into war communism. It was not, and could not be, a policy that corresponded to the economic tasks of the proletariat. It was a makeshift."[1]

The "normal" policy introduced in the country following the establishment of people's power was known as the New Economic Policy (NEP). This policy pursued the principal task of establishing normal economic ties between town (industry) and country through economic contacts, i. e., trade. Since there were many small-scale producers in town, while in the countryside they were predominant, the only conceivable form of contact between private producers was commerce. These economic ties were called upon to ensure the growth and development of both the small peasant economy and industry. Petty private elements such as small-scale producers and

[1] V. I. Lenin, "The Tax in Kind", *Collected Works*, Vol. 32, p. 343.

merchants, and even capitalists were allowed to enter the sphere of industry and trade on certain conditions with the purpose of promoting contacts with the peasantry.

In order to ensure flexibility of state-run industry in the conditions of free trade, the enterprises operated on a profit-and-loss basis, i. e., full economic independence. The principle of material interest in the result of operations was applied to the personnel. The input-output ratio analysis was used to assess the performance of the enterprises.

Trade called for money and wide use was made of monetary levers. The pricing, although controlled by the state, was also influenced by demand and supply. Banknotes secured by gold were introduced.

The management bodies controlled the subordinated enterprises by methods which took into account their economic independence. There appeared many self-supporting associations of enterprises different in type and scale, up to and including syndicates on the scale of an entire country. A system of management bodies (planning, trade, pricing bodies) came into being which reflected the economic nature of management.

The state-owned production units drew up their own plans and these, with the financial and material estimates, were then forwarded to the superior bodies. The latter then provided the enterprises with funds, raw materials, equipment, fuel, etc. in return for which they were obliged to deliver to those bodies part of their output. Some of the output was realised on the free market. The production assignments from above were therefore limited by the funds at the disposal of management bodies. The output

so realised produced a profit for the enterprise, part of which went to the state, while the balance was used for bonuses, reserves, etc.

There were quite a few enterprises which received no assignments from superior organs, procured their supplies independently and realised their produce on the free market. They were only obliged to transfer part of their profit to the state budget.

Centralised plans at that time were elaborated with due regard for the long-term plan for the construction of the material and technical base of socialism—the famous GOELRO (State Plan for the Electrification of Russia), and with due account of the NEP economic mechanism.

In this way the central organs were relieved of routine management of each enterprise and were able to concentrate on building up resources for future industrialisation of the country and on the implementation of this industrialisation. The best members of the Party were assigned to work in the national economy. They had to learn to trade, in accordance with Lenin's instructions. The period saw the beginning of large-scale training of economic executives, above all from among the industrial workers.

The policy of free-trade contacts between the sectors of the economy following the establishment of people's power is the only correct policy under normal conditions. The system of management in this case is organised with due regard for the requirements of this policy.

Management in the period of industrialisation. The New Economic Policy promoted the consolidation of the state-owned industry, gave the economic execu-

tives time to acquire professional skills, stimulated the development of the system of economic management bodies and their ability to control economic processes. At the same time, the state accumulated resources provided by state-owned enterprises, taxes from the peasantry and private producers and traders. All this created the prerequisites for accelerating the rate of industrialisation.

Industrialisation means the creation of a material and technical base that corresponds to the nature of socialism and provides conditions for the complete victory of socialism in the economic sphere. The scale and tasks of industrialisation in various socialist countries differed, but reconstruction was essential even in those countries which had a developed industrial potential at the time of taking power.

A specific feature of industrialisation in the USSR was the need to begin this industrialisation with the development of the heavy industry (to enhance the defense capability of the world's first socialist state), to carry out the industrialisation programme within the shortest possible time, taking advantage of the peaceful respite.

The policy of industrialisation focussed on the task of maximum mobilisation of all accumulations in the hands of the central administration and their use for building heavy industry enterprises, first and foremost machine-building plants, steel mills, power stations. This led to the necessity of accentuating the role of the central administration as the organiser of industrialisation. Since the available resources had to be invested into enterprises that would make returns only in the future, it became inevitable to lean on administrative methods. The existing enterprises

had their accumulations and produce removed and directed by the central authority for the needs of industrial projects. This led to the further intensification of administrative methods and limited the self-sufficiency rights of the enterprises. Inasmuch as the enterprises had to fulfil the assignments of the central administration, there gradually developed a system of centralised day-by-day management by means of permanent directive assignments. The principle of economic accounting gave way to assessment of the production plan fulfilment percentagewise.

With the assignments coming from the centre, the system of payments to the workers was also regulated by the central administration. It was remuneration not for the results of the work done, but for the results achieved in fulfilling planned assignments.

There was a sharp increase in the role of the central organs of management, particularly of the State Planning Commission as the organising centre. The simplicity of contacts within sectoral management at the time when administrative methods dominated made it possible to streamline the structure of management and reduce it to three levels: the enterprise—the chief administration—the people's commissariat (ministry).

Inasmuch as the main task of industrialisation was to build enterprises, these became the basic unit of the economy, the primary element in management.

The entire scope of economic activity called for a clear-cut order and this led to the development of a system of all-embracing planning. Plans gradually fully covered both production and the contacts of enterprises as concerns supplies and sales.

Industrialisation required long-term decisions and

the national economy was run on the basis of five-year plans.

Complete regulation sharply reduced the role of money and value assessment, reducing them to the function of accounting. The enterprises were allowed new investments only with the permission of the central administration with the resources made available on a planned basis. To prevent these resources from being utilised for current economic activities, capital construction was on a special balance sheet even within one enterprise.

Contacts between enterprises were determined in a centralised manner and on a planned basis, and, therefore, the system of settlements for the delivery of goods was simplified as far as possible. A receipt certifying the delivery of produce was sufficient for the bank to issue money to cover wages and other production expenses.

Agriculture and trade were important sources of accumulation. A substantial share of the produce of the collective farms was taken up by the state on a compulsory basis at below-cost prices. Since the masses of the workers engaged in building heavy industry projects received wages when these projects were not yet producing anything, there was the acute problem of securing these wages with foodstuffs and consumer goods. This necessitated the reintroduction of rationing which further undermined the role of money as an instrument of management.

Industrialisation required hundreds of thousands of qualified specialists, and their large-scale training was organised at the higher and secondary educational establishments of the country. Simultaneously, a special academy trained economic executives.

On the whole, the system of management during the period of industrialisation was of an *economic* nature, since the creation of heavy industry and a modern technical base answered the vital interests of socialist economic upbuilding. But that was an economic system of management *on a macroeconomic scale only in the final count, in perspective.* Current management was dominated by day-by-day centralised plan assignments, compulsory for fulfilment. Execution of these assignments and their overfulfilment were encouraged. The only initiative allowed was in the way of exceeding quotas, and bonuses accounted but for a negligible share in the system of remuneration.

Management of industrialisaton was a rigid system demanding the heroic labour of the people, their readiness to go through sacrifices and privations for the sake of a better future, their acceptance of iron discipline. It was an integral and harmonised system which allowed the USSR to cope with the task of creating a modern industry in record time, thus deciding the fate of socialist construction in the USSR and the destiny of socialism as a social system.

War Communism, the New Economic Policy, and industrialisation are the three basic models of economic management in the initial period of socialist construction.

3. Economic Management under Developed Socialism

Problems of managing the economy of developed socialism. The economy of a developed socialist society marks a qualitatively new stage in the devel-

opment of socialism, a logical outcome of successful socialist construction. This stage means that socialist production relations have a corresponding production basis—a single macroeconomic production complex. The production relations themselves at this particular stage fully correspond to their purpose. At the stage of developed socialism the basic economic law of socialism, the law of distribution according to the amount of the work done, the law of balanced, proportionate development and others operate to their utmost, free from the limitations imposed at the stage of initial formation of the socialist basis.

The full realisation of the requirements of the objective laws of socialism gives rise to an economic policy aimed not merely at creating major sectors of the economy, but at raising the *efficiency* of the whole of social production. The latter has as its *immediate* goal the satisfaction of the *requirements* of the working people, improved living standards. All this comes through *socialist intensification* of production.

Inasmuch as the economy of developed socialism is based on the economic laws of socialism operating to the full, the main feature of management at this stage is its reliance on the economic laws and the development of a *directly economic* nature of the system of management.

Concern for the consumers and satisfaction of the needs of the working people are the priority goals of management which correspond to the fundamental law of socialism. The system of management is based on the economic methods of management. Since the law of value is inherent in the economy of developed socialism the economic methods of manage-

ment can be transformed into basic methods only by emphasising the role of cost levers.

Priority is given to those methods of management which correspond to the law of distribution according to work done. There appear systems of payment (team contract, etc.) in which the final results and not the percentage of quota or other relative criteria serve as the basis for the wage fund. The need to more actively respond to the demand of the population and organise a more consistent system of payment on the basis of the end result calls for greater independence of the basic production unit, the cost-accounting cell of the economy. Complete economic accounting becomes a form of management.

There are growing demands on the centralised guidance as concerns its capability of organising basic long-term processes in the economy, using economic methods as the main levers.

Management is markedly influenced by the fact that in terms of time the formation of the economy of developed socialism coincides with the world scientific and technological revolution. This has brought to the fore the problem of promoting progress in production, integrating research and production, and demands from management an ability to control creative processes.

It is very important for socialism that the demands made by the scientific and technological revolution on management and those made on it by the economy of developed socialism not only do not contradict but organically complement one another which is the best proof of socialism's correspondence to the basic trends in the development of productive forces.

The formation of a system of management corresponding to the stage of developed socialism is a long and complicated process, involving the search for new forms and inevitable difficulties. It is not an automatic re-arrangement, but a process that calls for a scientific approach, resourcefulness and activity.

Formation of the management of the developed economy in the USSR. Following the resolutions of the September 1965 Plenum of the CPSU Central Committee on the transition to a new system of planning and economic incentives (approved by the 23rd Congress of the CPSU), there began in the USSR a transition from the system of management of the period of industrialisation to a new system of management corresponding to the stage of developed socialism.

Great emphasis was laid on the economic methods of management, the basic element of the economy received greater rights, the role of economic incentives was enhanced. The sphere of centralised planned assignments was reduced and priority was given to economic assignments (according to profitableness, returns on investments, etc.).

In 1973, decisions were adopted to improve the organisational structure of management, to set up associations as the basic element of production, to transform the middle level of sectoral management (the main sectoral departments of ministries) into industrial associations of a new type, guided by the cost-accounting principles of economic accounting.

An integral element of this process was the system of training and advanced training of managerial workers which was launched after 1967. In 1973, a system of certification was introduced for a number

of categories of managerial workers at enterprises and organisations.

Good results were achieved by the introduction of automated control systems and technical facilities of management. Extensive research was launched in the field of management and measures were taken to develop the science of management.

A substantial step forward was made in 1979. The system of directive indices handed down to self-supporting enterprises was specified, greater emphasis was laid on economic principles in the activities of the central organs of sectoral management, and a number of measures was taken to accelerate scientific and technical progress. Great importance was attached to the improvement of the entire system of planning by way of introducing long-term plans: for scientific and technical progress for a period of 20 years; for the national-economic development for a period of 10 years. The five-year plan, as the basic form of planning, was given a further backing.

In 1983, in accordance with the resolutions of the 26th Congress of the CPSU and the following plenary meetings of the CPSU Central Committee, special programmes were adopted to further broaden the rights of enterprises and associations, to accelerate scientific and technical progress, to strengthen discipline and raise the role of work collectives.

There are broad discussions, economic experiments and detailed analyses of performance in the new conditions. We have in mind the diversified and complicated work to search for new forms and methods of management, and put them into practice.

All this process of improving economic management is conducted on the initiative of and under the di-

rect guidance of the Communist Party, its Central Committee, with the participation of all organs of state administration, all social organisations, and all working people. Improvement of management has become a cause for the whole people.

Development of managerial system in CMEA countries. A number of socialist countries in Europe, members of the Council for Mutual Economic Assistance (CMEA), are currently in the transitional stage to developed socialist society. These countries have accumulated a wealth of experience in shaping a system of management for a developed socialist economy. This experience proves that the socialist countries share common trends in the development of management. There is a gradual shift from managing the construction of a socialist economy to the management of the economy so developed.

A transition is being made from management based directly on the force of power and only in the long run economic to management directly resting on economic laws in which the administrative methods turn from dominant into complementary methods. The system of incentives is altered so that no longer the fulfilment of centralised quotas in per cent terms is important, but the objective results of the labour of an entire work collective, a team, an individual worker, in full accordance with the law of distribution according to work done.

It is a question of such a system of planning under which not merely proportionateness is achieved, but under which the demand of the consumer, his orders, being in full accord with the basic law of socialism, would serve as a basis for the plans of the producer, and this proportion of demand and sup-

ply would serve as a basis for all other proportions.

A system of management is being shaped under which the basic production element would operate on a fully self-supporting basis, be independent in choosing orders and, hence, fully responsible economically for the results of its work. Socialist competition between production organisations will no longer concentrate on the degree of fulfilment of the assignments handed down by superior organs, but on the fulfilment of the orders of customers, on the actual volume of the economic results of management.

Instead of the day-by-day regulation of the internal activity of each enterprise, the centralised guidance concentrates on elaborating the levels and norms of economic activity for the fully self-supporting production units. The main preoccupation of the centralised guidance, in accordance with its nature and status, takes up as its centres the basic macroeconomic proportions and problems, above all those of a long-term nature.

The central directing bodies concentrate on drawing up long-term plans and the solution of key problems by means of comprehensive macroeconomic programmes. Assignments from the central bodies will enjoy priority not by virtue of power, but because of their special economic profitableness which the centre will ensure on the basis of a part on the incomes of self-supporting production units allocated to it. Day-by-day direction and administrative interference will always remain the prerogative of the centre, but these will be applied in exceptional cases.

The concrete forms in which these general tendencies are realised vary. In a number of countries

(Hungary and Bulgaria, for example), as a result of the specific features of their development and the importance of export in their economies emphasis is laid on measures concerning above all the basic element of the economy, the complete self-support of the production associations being set up. In the other socialist countries development concerns the entire system of management in variants similar to those being realised in the USSR. In the German Democratic Republic, for instance, extensive work has been conducted to improve the direction of scientific and technical progress, to improve the system of assessment, selection and training of managerial personnel, and so on.

In all the European member countries of the Council for Mutual Economic Assistance measures have been taken to develop petty economic enterprise: private small-scale trade, private services, small-scale production. In a number of countries the share of private enterprise in the repair of private cars and dwellings, public catering, and the sale of agricultural perishables is quite significant. Experience shows that the economy of a developed socialist society is compatible with the development of an auxiliary economy as a sector complementary to social production.

On the whole, the USSR and the other socialist countries have launched an extensive search of forms and methods of management corresponding to the new stage in the development of the socialist economy.

Management of the international economic, scientific and technological contacts of the socialist states. The formation of the world socialist system and the

development of a world socialist market have created a new sphere of socialist management. The planned nature of the economies of the socialist countries, the principle of equality and sovereignty of the parties, respect for mutual interests, mutual advantage and comradely mutual assistance have provided the basis for organised economic cooperation and its planned management.

In conditions of the current scientific and technical revolution it is necessary to develop ties and coordination so as to make full use of the advantages of international integration and cooperation. The Council for Mutual Economic Assistance, which was founded in 1949, plays an important role in the development and consolidation of international socialist division of labour. The Council is an open organisation; interested countries may adhere to it in various forms. Yugoslavia and a number of other socialist countries actively participate in its work as observers. The Council has cooperation agreements with Finland and other countries.

The higher body of the Council for Mutual Economic Assistance is its annual session with delegations to the session led by heads of government. The executive organ of the Council—its Executive Committee is made up of representatives of the member countries at the level of deputy heads of government. The Council has a CMEA committee for cooperation in the field of planning, a committee for scientific and technical cooperation, etc.

There are *standing commissions* covering various sectors of the economy and comprising representatives of corresponding ministries.

The Secretariat is the economic and administra-

tive organ of the Council.

The socialist countries have set up an International Institute of Management in which researchers from various countries conduct studies in the field of fundamental and applied problems of management.

The main object of Council's activity is socialist economic integration of the member countries. This course towards integration stems from the objective requirements of all the socialist countries, from the interests of creating an effective material and technical basis of socialism.

In 1971, the 25th session of the Council for Mutual Economic Assistance adopted a Comprehensive Programme for the further development and improvement of cooperation and development of the socialist economic integration of the member countries over a period of 15-20 years. This integration is based on specific comprehensive programmes for the leading branches of the economy: fuel and power, mechanical engineering, production of staple foodstuffs, transport communications, etc.

In accordance with the development of economic methods of management in each member country, the role of commodity-money, contractual and legal instruments increases in the Council's activity. The transferable rouble has an increasing role to play as the Council's collective currency and international credit. Joint planning on a long-term basis is also gaining momentum.

The growing cooperation of the socialist countries has given a boost to such international coordinating economic organisations as Intermetal, Interkhim, Interelectro, the International Bank for Economic

Co-Operation and the International Investment Bank. Socialist economic integration promotes the progress of each country and raises the efficiency of its efforts in the field of economic development.

Future of the managerial system. The development of the system of management of the socialist economy depends on the fundamental problem of the future of the system of management in the course of communist construction.

All the types of management in socialist society have a common tendency—their development in the course of communist construction into communist self-government.

However, within the framework of this general tendency there are fundamental distinctions. The classics of Marxism-Leninism have shown that socialist state administration, just like the state itself, will gradually *wither away* and become self-government, that it will change *qualitatively* in the course of this process.

On the basis of this proposition wrong conclusions are often made that something of the kind will happen to the management of the economy. True, the state form of economic management will inevitably wither away. It must be remembered, however, that the management of production is not associated with this form. The latter only served to embody the economic need for a balanced conscious regulation of the economy in conditions of social ownership.

If the current tendencies towards a greater division of labour, cooperation and integration persist, then the economic system of communism will need a much more perfect and sophisticated management than that of the present economy.

The development of automation and robotisation and the creation of fully automated plants objectively simplify the tasks of management, since the control of a group of automated plants, difficult technically, from the economic standpoint, is similar to the control of a group of machine tools.

The introduction of automated systems of data processing and economico-mathematical methods also tends to simplify economic management, substituting the control of machinery for the control of people.

But all these tendencies, as we see them today, give no sufficient ground for a conclusion about the coming simplification of the problems of economic management. Rather on the contrary, there are increasing factors which complexify this management: technical, economic, social, ecological, and integrational.

The functions of state administration in the process of its withering away and turning into communist self-government will become elementary and will gradually be taken over by social organisations and working people who will perform these functions in turn.

Economic management also shows a tendency to increase the role of work collectives, the public and each individual. The complexity of the tasks facing economic management speaks of the fact that today and in the long term there will be a need for specialists who have made economic management their profession.

The general conclusion is that the transition to communist self-government in the economic sphere will differ basically from the transition to self-gov-

ernment in the sphere of state administration. The state form of economic management will wither away, but management as such will become more complicated, retaining special personnel and the system of management bodies even at the stage of communist self-government.

That is why in the foreseeable future a further increase in the complexity of the tasks of management is to be expected. Hence the need to increase attention to the problem of improving it, to the scientific elaboration of its problems within the framework of the management theory and other sciences, to the training of economic cadres.

The management of socialist production, while actively influencing communist construction and improving itself in the course of this construction, prepares the groundwork for its own gradual transition to communist self-government.

The management of the communist economy and the management of the socialist economy differ qualitatively, but in essence socialist administration and communist self-government are one, as are the two phases of the communist formation.

Socialist administration, in its very essence, contains the factors stimulating its continuous development towards communist self-government. This determines the gradual logical conversion of one type of management into the other as the communist formation develops towards its higher stage.

CHAPTER FIFTEEN

FORMATION OF THE THEORY OF MANAGEMENT OF SOCIALIST PRODUCTION

Lenin wrote: "The most reliable thing in a question of social science . . . is not to forget the underlying historical connection, to examine every question from the standpoint of how the given phenomenon arose in history and what were the principal stages in its development. . ."[1] That is why consideration of the history of the theory of management is a logical culmination of its study, an important stage in its comprehension.

1. Forerunners of the Theory of Management

The theory of management borrowed from many sources in the process of its formation.

The decisive factors were the practice of socialist construction and the scientific disciplines which formed the basis of the scientific principles of management referred to in Chapter Two: political economy, philosophy, and scientific communism as the me-

[1] V. I. Lenin, "The State", *Collected Works,* Vol. 29, 1977, p. 473.

thodological basis of the theory of management; sociology, psychology, pedagogics, law and other social sciences as a source of material for various sections of the theory of management. The theory of management absorbed data from the concrete economic and concrete managerial sciences, the systems theory, the theory of organisation, cybernetics and other general sciences of management.

The theory of management of socialist production, however, has forerunners in the form of special teachings on production management. These teachings appeared even in the pre-capitalist formations, but it was precisely under capitalism, owing to the growing role of management as a factor in developing production, that the teachings on management assumed the form of theories. The latter had a definite influence on the formation of the socialist theory of management.

Teachings on management in the pre-capitalist period. The first knowledge of management is as old as management itself. One of the ideological trends in ancient China was known as the teaching on the law and order of management. It is not accidental, therefore, that all the developed religious systems (which, of course, reflected human relations) display a clear-cut managerial hierarchy of gods.

The ancient Greek philosopher Socrates criticised all forms of management that went against justice. Plato, a disciple of Socrates, developed the teaching on an ideal state. Plato advanced the idea that management requires special knowledge, that it is the prerogative of philosophers, that it is the art of governing people. Aristotle also studied the forms of government.

In the early Middle Ages, the rules of monasteries and instructions on running monastic economies outlined the principles of organising and managing production.

A number of important principles of economic management were formulated in the period of late feudalism. Under absolutism all the prominent economic figures were, as a rule, not only economists, but also proponents of various ways and means of economic management. In one work there were usually combined ideas of political economy, ideas of economic policy (taxation, financial policy, etc.), and recommendations concerning the application of various economic levers, i. e., managerial ideas.

Tsar Peter I, Russia's first emperor, made a comprehensive analysis of many problems of management. He liked to premise his decrees with theoretical substantiation of the expediency of some or other measures. In his decree "On the Harm to State Interests of Promotion by Seniority and on Its Non-Application in Russia" Peter I noted that "it is bad practice to promote by seniority rather than on the merits of one's deeds" and that a young but talented colonel was to wait for his general's rank until all the other colonels more advanced in age were promoted or "killed in action" or died a "natural death".[1]

The preparations for the transition to a bourgeois system, the transition process itself, the bourgeois revolutions focussed attention on problems of state administration.

[1] S. M. Troyitsky, *Russian Absolutism and the Nobility in the 18th Century*", Nauka Publishers, Moscow, 1974, pp. 43-44 (in Russian).

Niccolo Machiavelli developed an integral and, on the whole, progressive teaching on state administration. He asserted that success in administration did not depend on God, on genealogy, or on inherited power, but solely on the ruling person, on his will, knowledge and skills. Machiavelli pointed out that a sovereign who relied wholly on fate was doomed to fall under fate's blows. Machiavelli insisted that success depended on the method adopted, while the method, for its part, depended on the circumstances, since one mode of action corresponded to the specific features of the time, while another did not.

Generalising the experience accumulated in state administration, Machiavelli noted that those sovereigns who tried to be generous were compelled to spend all their savings in a very short time only to squeeze the money out of their subjects by heavy taxes and intimidation. As a result, the sovereign was hated by those whom he wished to do good. Usually, few people benefited by the generosity of sovereigns. All this showed, Machiavelli continued, that it would be better for the sovereign to be thrifty, so as not to fleece his subjects, and have enough resources of his own. His generosity consisted in taking little from his subjects, and he was generous to all those from whom he did not take much, i.e., the majority of the people, Machiavelli added.

The French encyclopaedists' idea of dividing power into legislative executive and judicial, as well as other concepts of theirs played an important part in the development of the ideas of administration. The eighteenth-century bourgeois revolutions in the

United States and France carried these ideas on their banners.

It was only at the machine stage of capitalist development that there appeared a specific teaching of production management. It was then that the term "management" was coined as distinct from public administration and control of mechanisms. The term "management" included financial management, production management, etc. The main function, that of business administration, was also singled out. All this was done by the classical theories of bourgeois economic management.

Classical theories of management. The idea of scientific management is associated with the name of Frederick Winslow Taylor (1856-1915), an American engineer and administrator. His chief works were *The Principles of Scientific Management* and *Shop Management.*

Taylor's basic idea was to substitute the system of functional management for the then dominating system of linear management. The specialisation of managerial services in certain functions substantially improved the quality of management. Another of Taylor's important ideas dealt with the principles of organising the labour process by breaking down the process into individual operations, eliminating the useless operations, selecting the best ones, and training the executors in the best methods. Taylor called his approach the "science of management".

Another classic of bourgeois management was Henri Fayol (1841-1925), a French engineer and head of a big metallurgical company. His main work is entitled *Industrial and General Administration.* Fayol went much further than Taylor had done. He

tried not only to single out the functions of management but also to draw up a list of them, and to reveal the logics of their relationship. The time factor and the sequence of management were taken as the basis for this relationship. Fayol singled out such functions as: provision, organisation, administration, coordination, control. Fayol stressed the importance of the uniting, coordinating function—the function of administration (direction).

He also substantiated the principles to rely on in any management and in any sphere.

He stressed the necessity of defining in management clear-cut demands on managerial personnel and advanced an interesting idea about the structure of these demands and the growing importance of administrative knowledge as the manager ascends the administrative ladder.

Fayol made an important conclusion that management is not only a science but is always an art. It is the art of creative application of the principles of management with due regard for the circumstances.

The third classic of bourgeois management was Henry Ford (1863-1947), an engineer, a capitalist and the founder of the well-known automobile company. His main works are *My Life and Work* and *Today and Tomorrow*.

Ford focussed his attention on the sphere of production organisation. In his view, the forms and methods of management, the demands on personnel are wholly dependent on the type of production organisation.

Ford held the conveyer as the supreme form of organisation. With an eye on thousands of almost illiterate immigrants, predominantly peasants by birth,

Ford arrived at the first conclusion: it was not at all necessary to train them in performing complicated labour processes, rather on the contrary, to introduce such a division of labour at his plants as to enable each one of them to carry out absolutely elementary operations.

The second idea behind the Ford conveyer was to ensure a rigorous rhythm of the general production process. This rhythm sets the working conditions for individual performers. The ideas of Fordism penetrated the managerial apparatus, and the conveyer system was applied in the work of offices, banks, etc.

The concept of Max Weber (1865-1920), a German sociologist and economist, is also among classical theories. He developed the theory of the ideal type of administrative organisation which he called "bureaucracy". Weber believed that such an organisation would operate on the basis of a system of clear-cut and generally accepted norms of activity and rules of behaviour.

Modern theories of management. The Great October Socialist Revolution of 1917 in Russia ushered in a new era in which the capitalists could no longer treat the workers as a cog in the conveyer machine. The issue of the worker's mood became, in more than one way, an issue of the future of capitalism. The more farsighted bourgeois ideologists (Elton Mayo, F. J. Roethlisberger, and others) advanced the doctrine of "humane relations". They studied the motivations of human behaviour in production processes, the problems of conflicts and cooperation, and informal relations. The theoreticians of "humane relations" came out with an idea of

"workers' participation in management", "group decisions", "education of employees", etc. This doctrine, understandably, failed to achieve its main goal —that of bringing together the exploiters and the exploited. Capitalist management in its very nature is authoritarian and despotic. It tolerates only a sham of democracy as a camouflage for that same exploitation without which capitalism cannot exist as a system.

The "empirical" school is the biggest among the new bourgeois schools of management.[1] Giving no full credence to any of the doctrines, the empirical school strives to select what is useful today. And since selection is the task of the manager, the empirical school makes a cult of the manager.

The "social systems school" and the "new school" tried to overcome the pragmatism of the "empirical school". The "social systems school" analyses organisation as a social entity, often from the standpoint of industrial sociology. The "new school" leans heavily on mathematical methods of studies and decision-making, on computers and systems analysis. While scoring success in the sphere of decision-making, these schools could not resolve general problems of management, since the latter are based not on quantitative modelling, but on the nature of the relations within the system of capitalist economic management.

Lenin's analysis of Taylor's works is fully appli-

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[1] The classical and new bourgeois theories are analysed in Academician D. M. Gvishiani's book entitled *Organisation and Management*, Nauka Publishers, Moscow, 1972, 2nd ed. (in Russian).

cable to all bourgeois theories of production management. In his articles "The Scientific System of Sweating Workers" and "The Taylor System—Enslavement of Man by Machine", Lenin identified two aspects in Taylorism: firstly, the exploiter and class essence of the Taylor system, and, secondly, the tremendous progress of science. Lenin illustrated the fact that under capitalism progress in the scientific organisation of production was welcome as long as it increased profit. But this is the progress that has its own value. Lenin wrote that when the working people take power and begin working for themselves, the methods of scientific management can and must be critically studied and all the best that increases the efficiency of their labour adopted.

Lenin's methodological approach to Taylor's works concerns all the schools of management. The socialist theory of management exposes the class narrow-mindedness of the ideologists of management, the utopianism of their ultimate goals and the exploiter nature of their recommendations. The anarchy of private capitalist production makes impossible either scientific management itself or the science of management. However, the theories of management have their rational and good sides which should be borrowed after their critical analysis.

Socialist-Utopianists and revolutionary democrats. The socialist-Utopianists and the revolutionary democrats with their specific views reflecting the interests of the working masses emerged within the nascent capitalist system and during the preparation of the bourgeois revolutions. In their teachings on the future society the socialist-Utopianists and the revolutionary democrats also touched on the concept

of production management. In his book *Utopia* (1516) Thomas More discussed the problem of organising production on the basis of social property and social labour. He also formulated a question which Lenin later classified as a "difficult" one for socialist theories: "For how can there be an abundance of gooddess or of any thing, where every man withdraweth his handle from labour? Whome the regarde of his owne gaines driueth not to worke, and the hoope that he hath in other mens trauayles maketh hym slowthfull."[1] Neither Thomas More nor the other Utopianists could provide a scientific answer to this question.

Tommaso Campanella in his book *City of the Sun* published in 1602 outlined a system of city management based on social property. This management is based on science and the most knowledgeable people are drawn into the management of communal affairs. In the beginning of the 19th century, Claude Saint-Simon wrote that in a future socialist society politics would be replaced by economics as a science of production, that production management would be centralised. Lenin called this idea of Saint-Simon a surmise of great genius.

Charles Fourier, another giant of Utopian socialism, stressed his belief that the management of social production should be aimed primarily at raising labour productivity on the basis of emulation and creative effort. Karl Marx gave great credit to Fourier for his idea of developing production.

Robert Owen, for his part, stressed the fact that

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[1] Thomas More, *Utopia*.—In: Sir Thomas More's Utopia. The Clarendon Press, Oxford, 1904, p. 45.

under socialism the purpose of management was to bring happiness to the managed. For this, he wrote, it was necessary to remodel production, to mechanise and organise it on a scientific basis. The development of production must not only raise the productivity of labour, but also bring happiness to the people.

Engels wrote: ". . .theoretical socialism will never forget that it rests on the shoulders of Saint-Simon, Fourier and Owen—three men who, in spite of all their fantastic notions and all their utopianism, stand among the most eminent thinkers of all time and whose genius anticipated innumerable things the correctness of which is now being scientifically proved by us. . ."[1]

The Russian revolutionary democrats Vissarion Belinsky, Nikolai Chernyshevsky, Alexander Herzen actively developed the ideas of Utopian socialism. Chernyshevsky, in particular, devoted a lot of time to the problem of self-government in a labour commune believing it to be the basis of a socialist system. Sun Yat-sen, José Marti and other revolutionary democrats also developed the ideas of production management.

On the whole, the development of the ideas of management during the pre-Marxist period, despite all its achievements, provided only some of the fundamental principles, a basis for further studies and analysis. It was Marxism-Leninism that created

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[1] Frederick Engels, "Preface to *The Peasant War in Germany*", in: Karl Marx and Frederick Engels, *Selected Works* in three volumes, Vol. 2, p. 169.

the scientific management of production as a system of scientific principles and as a science, thus marking a qualitative step forward in the developing the science of production management.

2. *Formation of the Marxist-Leninist Theory of Socialist Production Management*

Classics of Marxism-Leninism on socialist production management. Within the framework of the theory of scientific communism Marx and Engels substantiated the thesis that the appearance of social property led to a planned management of the whole of social production. Engels wrote: "Above all, it will have to rake the running of industry and all branches of production in general out of the hands of separate individuals competing with each other and instead will have to ensure that all these branches of production are run by society as a whole, i. e., for the social good, according to a social plan and with the participation of all members of society."[1]

Karl Marx's elaboration on the problem of capitalist management also was of exceptional theoretical value.

In the 19th century, the founders of Marxism did not and could not raise the problem of management of socialist production as a practical task.

It was Lenin who elaborated the fundamentals of the socialist theory of management, and hence the

[1] Frederick Engels, "Principles of Communism", in: Karl Marx, Frederick Engels, *Collected Works,* Vol. 6, 1976, p. 348.

science of socialist production management is justly called Leninist.

Lenin constantly held the problems of management in the centre of attention, particularly in his works written after the Great October Socialist Revolution of 1917.

The most difficult and important task following the Revolution and the seizure of power was, according to Lenin, the creation of an economic base that would correspond to the nature of Soviet power.

He pointed out that to achieve this it was not enough to legally nationalise enterprises. It was necessary to socialise production in practice, which could be achieved only by organising a planned management of the whole of social production.

Lenin pointed out that the socialist revolution required one level of production, whereas a normally developing socialist society required a much higher level of production. He substantiated the need to build a material and technical base for socialism on which to develop socialist production relations to the full. This task, i.e. the task of building up a new socialist economy could not be resolved without management.

Lenin worked out the thesis on the new functions of the socialist state, the principal one of which is the function of running the economy of the entire country.

Lenin also substantiated the principles of managing socialist production: the role of centralism and democracy, the role of planning in socialist management, etc.

Lenin elaborated important propositions concerning the system of bodies of macroeconomic manage-

ment, the role of the State Planning Committee in this system, and its decisions having the force of law.

He also outlined important provisions concerning the system of selecting and placing managerial personnel and their training.

Lenin devoted constant attention to the problem of methods of management. He elaborated extremely important principles as concerns the priority role of material incentives and developed the theory of socialist emulation as an antipode to capitalist competition.

Lenin attached particular importance to the development of planning. The state plan for the electrification of Russia, the country's first long-term plan of socialist economic management, was elaborated under his personal guidance.

Lenin stressed the importance of cost levers in management, the role of the stable rouble in socialist economic management, the importance of trade, finances, and credit. He advanced the thesis on economic accounting as a method of realising the economic independence of the basic production units of the national economy.

Lenin also elaborated the theses on the active participation of working people in management and on the role of the trade unions as a school of management.

Lenin himself set an unsurpassed example of leadership and elaborated the principles of the socialist style of leadership.

He developed the idea of improving management as a special function of management, the role of this function in the development of socialist management, the organs and personnel for rationalisation and

their place in the system of organs of management.

Lenin elaborated an approach to the study of the experience of capitalist management, which combines criticism of the exploiter essence of capitalist management and the use of all its positive aspects engendered by the desire of the capitalists to make effective use of the equipment and organisation of modern machine production.

Lenin worked out a clear-cut concept of bureaucracy, which helps to combat any distortions of the essence of socialist management and all attempts to undermine socialist management under the guise of fight against bureaucratic practices.

There is hardly anything in the area of socialist management which was out of Lenin's sphere of vision, which was not scientifically substantiated in his works and practical activity, and which did not find creative application.

Lenin not only developed the theoretical principles of socialist management, he drew an important conclusion from his analysis of individual problems of management, namely: these theoretical generalisations in their aggregation should comprise the science of management.

Lenin showed that management under socialism becomes scientific and as such rests on a group of sciences which he called the scientific principles of management.

At the same time Lenin stressed the need to have a special science of management, called for its development, helped in setting up the country's first establishments to promote the science of management. He also urged the publication of monographs and textbooks on problems of management.

In Lenin's view management is a sphere of creative endeavour incompatible with any form of dogmatism.

Lenin had no time to systematise his teaching on management in one monographic work or a textbook, partly because he was swamped with work and partly because of ill health. Moreover, as Lenin himself wrote in one of his incompleted books, "Instead of describing this experience it is much more interesting to do it in practice". Besides, the practice of management did not yet give enough material for final generalisations. To his last day, however, Lenin continued to think about problems of management, and his last works dictated by him are an invaluable contribution to the elaboration of problems of management.

On the whole Lenin worked out the principles of scientific management of the socialist economy and formulated an important idea as to the possibility and necessity of developing a special science of management.

Lenin's scientific principles of management were a qualitatively new phenomenon in Marxist theory, an organic part of Leninism.

Elaboration of the scientific principles of the theory of management in the theoretical and practical work of the party and the state. The Communist Party of the Soviet Union and the socialist state have been working continuously on the solution of the most difficult problems of management, on the building of the economy of socialism and its management. It is therefore logical that the Leninist teaching on management has been developed in the theoretical and practical activity of the Party and the state.

The decisions of the CPSU congresses and conferences, reports by the CPSU Central Committee, five-year plan directives adopted at Party congresses, the entire work of Party congresses and conferences were devoted, among other things, to the analysis and practical solution of problems of management, and theoretical substantiation of measures taken. This work was also carried out at the CPSU Central Committee's plenums and in the works of Party leaders.

The activity of the Soviet state in the field of economic management finds concrete expression in the USSR Constitution, various codes, laws, government decrees, as well as in the decisions of planning, financial and other organs of management, where different pressing problems are set out and theoretically substantiated. Here, too, the theoretical aspects of scientific management are outlined.

With the appearance of new socialist states their ruling parties and the state apparatus actively join in the work of developing scientific principles of management. Drawing on the USSR's experience and the analysis of their own conditions these countries take a creative approach to problems of economic management. Their work enriches the theoretical basis of socialist management.

Development of research in production management in the USSR. The Communist Party and the Soviet state initiated research in the field of management immediately after the 1917 Revolution. One of the first Soviet researchers in this field was Platon Kerzhentsev (1881-1940), a prominent Party worker and statesman, a diplomat, a journalist, and the leader of the social organisation The League of Time.

He devoted much time and effort to developing theoretical principles of management. Kerzhentsev published a number of books including *Principles of Organisation*[1] which was highly appreciated by Lenin.

Kerzhentsev focussed attention on the structuralisation of organisational activity, with emphasis on the elaboration of goals and the corresponding forms of organisation, and also on the search for methods of management.

Another well-known theoretician in the 1920s was A. K. Gastev (1892-1942). He created the world's first research institution fully devoted to problems of management and organisation—the Central Institute of Labour, whose activity was closely watched by Lenin. Gastev also published a number of books, the best known of which is *The Way to Work Well*.[2]

While Kerzhentsev concentrated on the managerial activity of a leader, Gastev dealt with management as a process directly influencing production, above all the work place (the concepts of "labour presets" and "narrow base"). Gastev also thoroughly analysed the bourgeois theories of management advanced by Fayol, Taylor, and Ford.

Yet another trend is to be found in the works of E. F. Rozmirovich (1886-1953) who headed the Institute of Management Techniques. In her works special attention is devoted to the technology of management and the organisation of the work of the man-

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[1] P. M. Kerzhentsev, *Principles of Organisation*, Ekonomika Publishers, Moscow, 1968 (in Russian).

[2] A. K. Gastev, *The Way to Work Well*, Ekonomika Publishers, Moscow, 1972 (in Russian).

agerial apparatus along the same lines as the organisation of the production process (the concept of the so-called "production interpretation of an office").

The 1920s saw the publication of "*Universal Organisational Science (Technology)*" by A. A. Bogdanov (1873-1928), who examined the general principles of any organisation and management. The book anticipated the basic ideas of cybernetics and the systems theory, in spite of a number of mistakes which were subjected to Party criticism.

In the 1930s and 1940s, the development of the scientific principles of management proceeded along several lines.

Firstly, successful efforts were made to overcome the negation of the objective economic laws of socialism, which helped develop the political economy of socialism as a science and the theoretical basis of scientific management. As a result, a textbook of political economy edited by K. V. Ostrovityanov was published in 1955.

Secondly, in the 1930s and 1940s work was underway to develop concrete economic sciences of macroeconomic sectors, particularly of mechanical engineering as the leading branch of the national economy in the period of industrialisation. The problems of management were elaborated within the framework of the sectoral economies. Unfortunately, views cropped up according to which management could be studied on a sectoral basis in general.

Thirdly, some concrete sciences of management were developed, especially planning, which was enriched by the elaboration and implementation of five-year and annual plans. In 1938, L. V. Kantorovich (later to become a Lenin and Nobel Prise winner) laid

the foundations of linear programming methods. Unfortunately, ideas came into being asserting that in the presence of planning the problem of management disappears, it is sufficient to fulfil the plan.

And yet it was precisely in the late 1940s that studies were resumed into problems of management, which strived to treat it as an inter-sectoral phenomenon. A. Arakelyan and S. Kamenitser published books which treated management as a whole, without reducing it to the fulfilment of the plan or to sectoral management.

In the 1960s, the Soviet Union entered the stage of developed socialism. This called for a qualitatively new level of scientific principles of management as a whole and the development of a special science (theory) of management. The debates and studies held on the subject in conjunction with the broad discussion of the experience accumulated by management in conditions of the economic reform led to the development of a theory of management of socialist social production.

One of the most important results of the research on the problem of socialist production management in the USSR at the turn of the 1970s was the formulation of a complex approach to management.[1]

In contrast to the previously dominant variants of economic, legal, cybernetic and other characteristics of management, which denied the independence of managerial problems, there has appeared and successfully develops a complex approach to the analy-

[1] G. Kh. Popov, *Problems of Management Theory*, Ekonomika Publishers, Moscow, 1st ed. 1970, 2nd ed. 1974 (in Russian).

sis of this complicated social phenomenon. The first (1966) and second (1972) all-Union conferences on the problems of scientific organisation of management of socialist industry based their recommendations on the comprehensive nature of the management of socialist production.

True, many studies continue to analyse the legal aspects of management, quite a few researchers develop the economic aspects of management, and there are valuable studies into the cybernetic aspect of the problem. But it was with the development of the complex approach that really great progress has been made in understanding the management of socialist social production.

There are several characteristics of the complex approach to the analysis of managerial problems.

First, a comprehensive characteristic of management is understood as a set (at best as a system) of various aspects of management. In this case the management of socialist production breaks up into economic, legal, socio-psychological and other aspects. With such an approach, the theory of management should consist of individual parts devoted to one or another aspect of management.

Second, the comprehensive characteristic of socialist production management consists in that a system of features should be present in management. These are grouped in two categories: those common to all forms of management, and those that are specific and inherent in a given type of management. With such an approach, the theory of management should consist of two parts: general and specific.

Third, the comprehensive nature of management

implies the application of comprehensive analysis (by aspects or by features) not only as regards management as a whole, but also with respect to its individual elements. This point of view deepens, concentrates and synthesises the two preceding approaches.

Fourth, the comprehensive approach concerns only the elements of management, whereas the elements themselves are combined into a system. This is a systems variant of the comprehensive interpretation of management.

The idea of a systems approach consists in that: a) all the elements of management (personnel, methods, goals, etc.) are interrelated; b) the whole (in this case the management of socialist social production) has features and patterns which are not found in its component elements.

The logical conclusion from the concept of a systems, comprehensive approach is therefore the thesis about the existence in management not only of economic, legal, organisational and other aspects, not only of general and specific features, not only of features inherent in individual functions of management, but also of new, special features, i.e., features of management as a whole. It is these features that constitute the subject of a new science—the theory of management.

The differences mainly concern the following problems:

—at what level should management be analysed (the national economy, a sector, an enterprise);

—how is the system of elements to be arranged (should the principles and methods be dealt with separately or considered together, should the struc-

ture be analysed first and then the process or vice versa, etc.)

Sometimes an individual enterprise, a sector or a territory is taken as a basis for analysis. But even if the study of these objects is made as a complex, as a system it remains incomplete.

The thing is that in a socialist society all local economic systems are not isolated, but are parts of one whole, the national economy. Only from a macroeconomic position is it possible to really understand the problems of management of a sector or an enterprise, a republic or a territorial complex.

Therefore, while recognising the need for and correctness of a complex, systems analysis of individual local economic systems, priority should be given to the analysis of the problems of management of the entire social production.

Theory of management as an educational discipline. In spite of the differences in approach and interpretation, in the USSR the theory of management is commonly interpreted as a science and an educational discipline. Special courses in management have been prepared for higher educational establishments and for advanced training institutions. Special textbooks have also been published.

The Moscow Ordzhonikidze Institute of Management has published a textbook *The Theory of Management of Socialist Production* (edited by Professor O. V. Kozlova) for students of higher educational establishments.[1] The USSR Correspondence Financial and Economic Institute has put out a textbook

[1] *The Theory of Management of Socialist Production,* Ekonomika Publishers, Moscow, 1979 (in Russian).

Scientific Principles of Production Management (edited by Professor D. M. Kruk).[1] Moscow University has also put out a textbook *Organisation of Management of Social Production* (edited by Professors G. Kh. Popov and G. A. Dzhavadov)[2]. A series of textbooks edited by Professor R. A. Belousov has been put out for the students of the Academy of the Social Sciences under the CPSU Central Committee.

Two textbooks *Management of Socialist Production. Theory and Practice* and *The Work of a Manager* (ed. by V. G. Afanasyev, D. M. Gvishiani, V. N. Lisitsyn, and G. Kh. Popov)[3] have been published for the system of economic education of personnel and the system of advanced training of economic executives.

The textbook *Management of a Socialist Enterprise* by A. G. Aganbegyan[4] is intended for the system of economic education of the medium-level personnel.

Thus the theory of management comes out today as a fully developed educational discipline.

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[1] *Scientific Principles of Production Management,* Ekonomika Publishers, Moscow, 1978 (in Russian).

[2] *Organisation of Management of Social Production,* Moscow University Press, Moscow, 1979. The second edition edited by G. Popov and Yu. Krasnopoyas was put out in 1984.

[3] *Management of Socialist Production. Theory and Practice,* 3rd ed., Ekonomika Publishers, Moscow, 1978, *The Work of a Manager,* 3rd ed., Ekonomika Publishers, Moscow, 1977 (both in Russian).

[4] A. G. Aganbegyan, *Management of a Socialist Enterprise,* Ekonomika Publishers, Moscow, 1979.

3. Groundlessness of Bourgeois and Petty-Bourgeois Criticism of the Theory and Practice of Socialist Production Management

The development of the theory and practice of socialist management is the subject of endless criticism by bourgeois and petty-bourgeois theoreticians. The 26th Congress of the CPSU noted among other things: "The imperialists and their accomplices are systematically conducting hostile campaigns against the socialist countries. They malign and distort everything that goes on in them. For them the main thing is to turn people against socialism."[1]

Theory of "command economy". Some bourgeois theoreticians call the socialist management of production, particularly in the USSR, a "command economy". They allege that this management boils down to imposing production assortment and production volumes on the producers, that it means production based on orders and directives, and "unnatural" management of the economy.

This is a deliberate attempt to distort the fact that planned assignments, which are a feature of socialist management, are not arbitrary, that they are based on scienifically calculated plans. These assignments, although they come from the top, take into account production and other potentials. Besides, the directives do not cover all spheres of activity of the subordinate organisations. In short, the bourgeois

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[1] *Documents and Resolutions. The 26th Congress of the Communist Party of the Soviet Union,* Novosti Press Agency Publishing House, Moscow, 1981, p. 13.

theoreticians refuse to see any real content behind the form of a directive, and overstress this form.

The theories of "command economy" describe economic executives as the "ruling elite" which has allegedly seized the social property. Within this "elite" they distinguish the scientific and engineering intellectuals and economic managers (economic power) and the Party and government leaders (political power).

Bourgeois scholars distort the need to have professional cadres of managers and leaders and falsely depict the leadership as carriers of the function of property. In actual fact, however, the leaders are limited in their powers by law, they are controlled by the Party as the vanguard of the people, and are constantly under the control of the masses. The leaders come from among the working people. They are leaders only in the process of production, otherwise they are ordinary citizens enjoying the same rights as the rank-and-file workers. Attempts by individual leaders to behave differently are immediately and vigorously stopped. That is why all attempts to set off the leaders and working people against each other are in vain. Equally groundless are attempts to use the natural and unavoidable differences in the approach of various groups of leaders to some or other problems as a pretext for opposing them to one another. The purpose of all these theories is obvious—it is an attempt to tear the leaders away from the masses and also to drive a wedge between the leaders.

Theory of convergence. Since all hopes for a rapid collapse of the "command economy" have proved futile, there appeared another group of theories in

bourgeois ideology—comparative analysis of the two economic systems, the theories of convergence and of transformation. All these theories share one common feature—they are an attempt to smooth away the fundamental difference between the socialist and the capitalist management of production.

They allege that capitalist initiative planning and socialist centralised planning are but two forms of one and the same phenomenon. Besides, they assert that capitalist initiative planning is more effective and that centralised planning should adopt its methods. Sometimes, bourgeois theoreticians concede that socialist planning does have some good sides to it and that they should be borrowed.

In reality, however, there is a fundamental difference between an indicative plan (which is not binding on anybody) and a directive centralised plan which has the force of law in the socialist state. It goes without saying that initiative planning serves the interests of the monopolies, whereas socialist planning serves the interests of all the working people as the owners of the means of production.

The theoreticians of the comparative systems draw a parallel between self-supporting socialist enterprises and private capitalist firms. Here again they find common features where they do not exist at all or have a purely outward resemblance (for instance the desire to increase profits). The work being done to raise the efficiency of socialist production worries bourgeois scientists to such an extent tha they come out with numerous recommendations as to what should be altered in the "ineffective" principle of economic accounting. Practically all these recommendations boil down to an attempt to fully tear away

the strictly independent principle of economic accounting from centralised planning.

The theory of transformation is also highly current. According to this theory, the bourgeois system has ceased to be classical capitalism under the influence of management. While explicitly recognising the unworkability of traditional capitalist management, bourgeois theoreticians attempt to prove that capitalism has entered a special stage of development where the differences between the two systems are being obliterated and in fact only ideological differences in terminology remain.

Under the impact of the scientific and technical revolution, social conflicts and the growing social nature of production, modern capitalism finds it objectively essential to adopt a number of methods alien to it (scientific and technical programmes, regional programmes, long-term programmes, etc.). It is this very fact of adapting the old capitalist system to the new conditions that bourgeois scientists try to make pass for a radical change in its essence. They fully ignore the differences in the goals and nature of management and the orientation of economic accounting under socialism and capitalism.

Another side of the theory of transformation is the attempt to prove that socialism allegedly differs little from "post-industrial" capitalism. Socialism is alleged to be a "mixed economy" where the various forms of economy: state, cooperative, joint-stock, private and individual are combined explicitly or in the form of "shadow economy". The initial stages in the development of a socialist society were indeed connected with a mixed economy. However, the at-

tempts to describe the relative independence of self-supporting enterprises, co-operatives and individual labour activity as non-socialist forms of economy fail to take into account the complete unity of all forms of socialist property, the socialist nature of co-operative and collective property, the organic inclusion of individual labour activity in the overall process of socialist economy activity.

All bourgeois concepts have common features—criticism of real socialism, attempts to weaken socialism at all costs, either by direct attacks on it, or by calls for making it "effective" through its abandoning the basic features of socialist management, or by attempting to prove its transformation towards convergence with capitalism.

Rightist petty-bourgeois criticism of socialist production management. The intermediate strata between the main classes of bourgeois society provide the social basis for petty-bourgeois criticism of socialist management. The diversity of these social strata imparts to their attacks on real socialism a great many shades. On the whole, however, we are faced here with rightist, reformist and revisionist criticism on the one hand, and leftist, particularly anarcho-syndicalist, criticism on the other.

Rightist petty-bourgeois criticism of socialist management is centered on the role of the state and the Party in economic management.

The right reformists and revisionists reject the objective necessity of using power as an instrument of building a socialist economy. They try to make bureaucratic distortions alien to the nature of socialist management pass for the intrinsic features of state power being used as an instrument of economic con-

struction. They fully ignore the fact that the socialist state is active and consistent in combating all forms of bureaucracy. These critics also fully ignore the fact that the dictatorship of the proletariat is a historically transient form of socialist state, that it has developed into a socialist state of the whole people, where legality is strictly observed, executive bodies are accountable to elective representative organs of power, and the rights of work collectives and social organisations have been extended.

Indeed, in perspective, socialist economic management will do without state interference, but that will happen in the course of its transformation into communist economic self-government. All attempts to insist on avoiding the use of state power in economic management at earlier stages, because of petty-bourgeois fear of any power, discipline and order, will lead to nothing more than a weakening of socialism in the face of its enemies.

The right revisionists attack not only the socialist state but also the Party guidance of the national economy. They insist that the sphere of Party activity should be confined solely to ideological and educational work.

The experience of the socialist countries where such ideas were current shows that they are fraught with the danger of losing the gains of socialism. The Party as the vanguard of the working class and all the working people most consistently upholds the socialist essence and socialist orientation of economic management, is the vehicle of centralism and democracy, organises control over economic management.

The hopelessness of the rightist revisionists is par-

ticularly vivid in their attempts to advance their programmes as alternatives to real socialism: the "third way" to socialism, "socialism with a human face" and other similar concepts which are aimed at substantiating the so-called "market socialism". This kind of "socialism" has an economy based on the law of value. The objective necessity of applying the law of value in a planned economic system is interpreted by the rightwingers as a basis for transforming the law of value into the basic governor of development. They believe that centralised planning should not create objective restrictions to the law of value, but should only correct its extreme consequences by indirect methods and thus drag behind the law of value.

Under these circumstances, there inevitably arises group property, the property of work collectives instead of social property. Market socialism leads to the disintegration of the basis of socialism, undermines the unity of socialist society, breaks up society into opposing groups. The experience of Hungary and Czechoslovakia shows that in such conditions anti-communist trends acquire a real force, they obtain a real possibility to restore the bourgeois order of things.

Left-revisionist criticism of socialist management. Left revisionists are even more critical towards real socialism without having any integral positive programme whatsoever. Some left-wingers, while using the historical traditions of anarchism (overthrow all power and the rest will settle by itself), are bent on proving that any direction of the socialist economy is unacceptable in general. The other wing of the leftists, which stems from Trotskyite ideas, on the con-

trary, believe that only administrative power can overcome all difficulties in socialist economic management.

Criticising the anarcho-syndicalist deviation of the first type Lenin stressed that without power, without some forms of coercion, without guiding the working masses by their vanguard, the Party there can be no socialist construction. Given the absolutisation of democracy, collective leadership, the rights and freedoms of the individual no effective way of transition from socialism to communism can be found.

The authors of Trotskyite concepts, on the contrary, do not believe in the ability of the masses to build a new society by themselves. They proceed exclusively from the need to practise coercion, to "crew up the nuts", from the "power of the rifle" as essential. They idealise War Communism and see no problem in the fact that under this system no production and scientific and technical progress can develop. According to them, the essence of economic management is not in raising living standards and meeting the growing requirements of the harmoniously developing individual, but in ensuring a "just" distribution meaning full equalisation. Equalitarianism does not help raise labour productivity and has a tendency towards levelling it out on the pattern of the least diligent workers, i.e., to the gradual decline in the level of production and the shrinking of the source which feeds equalitarian distribution. In order to avoid this grave danger the left-wingers rely on a new enhancement of power, additional disciplinary and military pressure on the masses, a higher pitch in the "education of principle" and "consci-

entiousness" and in building up a "revolutionary spirit" in the form of barracklike way of life and behaviour. True, all this basically concerns the working masses, while for the leaders and the educators they are inclined to make exceptions as regards their well-being.

Trotskyite ideology is notable for fear of real difficulties and the lengthy period of socialist contruction and for attempts to resolve all problems at one stroke. The left-wingers accuse real socialism of "mark-ink time" and suggest instead "great leaps", a "cultural revolution" and other gambles in economic construction.

In the final count, bossing over the masses gives rise to the danger of a military-bureaucratic dictatorship and the appearance of fanatical dictators of the Pol Pot type.

A special form of leftist criticism of socialist management is the movement of the New Left. They share with the anarchists the desire to destroy "power and coercion" and expel them from all spheres of economic and public life. In criticising power the New Left do not distinguish between state-monopoly capitalism and the developed socialist society and regard them as two varieties of the hated "industrial" society.

As an alternative to "authoritarian-bureaucratic", "hierarchic" capitalist and socialist management they propose the liquidation of management in general and the introduction of workers' self-government and the running of the economy by work collectives. When asked how will production economic unity be ensured on the scale of the modern economy, the New Left give no reasonable answer, relying on social factors,

conscientiousness, etc., which merely stresses their naivety and utopianism.

Typical of the entire range of anti-communist and anti-Soviet criticism of the theory and practice of socialist management are attacks on real socialism and absolutisation, exaggeration of its difficulties and subjectivist errors, bureaucratic distortions and examples of inefficient management. Therefore the main weapon in the struggle against this criticism is the further improvement of socialist management so as to ensure a higher rate of scientific and technical progress, higher growth rates in production efficiency, a fuller satisfaction of the needs of the working people. Solution of these tasks will be facilitated by the development of the theory of management of socialist production, its study and creative application.

* * *

To sum up, it may be said that the last few years have seen the formation in the main of a comprehensive, systems interpretation of socialist production management.

This makes it possible:

—in the study of the problem of management, to accelerate the development of the system of management sciences, particularly the theory of management;

—in the organisation research, to formulate the basic trends of research, and to plan them to set up research institutions, etc.;

—in personnel training, to draw up a general prospectus of a course in the scientific principles of man-

agement and a course in the theory of management. On the basis of these prospectuses it will be possible to prepare curricula and textbooks for universities, economic institutes, and institutes for raising qualification skills;

—in the sphere of management improvement, to raise the standards of rationalisation work, to create a sound basis for this work.

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